



2012 Annual Report

Exhibit 1076
IPR2017-00807
ARGENTUM

Shareholder information

2013 INTERIM FINANCIAL REPORTS

Interim report January–March	May 7
Interim report January–June	August 2
Interim report January–September	November 8

ANNUAL GENERAL MEETING

Location: Medas's facilities, Pipers väg 2A, Solna, Sweden
Time: 5 PM on Tuesday, May 7, 2013.

SHAREHOLDERS WHO WISH TO PARTICIPATE IN THE MEETING MUST:

- Be registered in the Euroclear Sweden AB share database by April 30, 2013.
- Notify the company by April 30, 2013.
Shareholders may register by postal mail (Meda AB AGM, Box 7835, SE-103 98, Stockholm, Sweden), by phone (+46 8-402 90 49), or via the website at www.meda.se.

REGISTRATION

Notice of attendance must be received no later than April 30, 2013. Registrations shall include name, civil registration or corporate ID number, address, phone number, and number of shares held.

Shareholders represented by proxy must send a power of attorney for the proxy. If the power of attorney is issued by a legal entity, a notarized copy of the corporate registration certificate must also be included. The power of attorney and registration certificate must not be issued more than one year prior to the AGM.

SHARE REGISTRATION

To participate in the AGM, any shareholders whose shares are nominee-registered must temporarily register their shares with Euroclear Sweden AB. The entry must be effected by April 30, 2013.

Address changes should be registered with the appropriate financial institution as soon as possible.

Addresses

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Contact information for subsidiaries is available at: www.meda.se

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Anders Lönner at Ernst & Young's "Entrepreneur of The Year" competition in Monte Carlo 2012.

CEO's report

The 2012 fiscal year can be summarized as a year when Meda fully concentrated on continued growth within the boundaries of its business plan. We took carefully planned initiatives in new products and made investments into prioritized growth markets, and combined these with acquisitions of interesting product opportunities.

The Dymista launch began in the US in the second half of 2012. We have received very positive feedback so far, from prescribers and patients alike. It is still too early to draw any definite conclusions, but I am convinced that Dymista presents a unique opportunity for the company. Dymista also received approval in Europe and we expect to begin launch efforts in specific large European markets during the second quarter of 2013.

In 2012, we also significantly expanded Meda's portfolio with additional interesting product launches. A handful of products received new product approvals in Europe, such as Zyclara, Astepro, Acnex, and Edluar. In addition, we finalized several product acquisitions in the US.

Meanwhile, we continue to use the company's global product potential in the OTC area to the best of its advantage, either alone or through partnerships with other pharmaceutical companies. Prescription-free pharmaceuticals display healthy growth figures and now comprise about 25 percent of Meda's total revenue. Another positive effect from this strategic direction is the continued decrease of Meda's dependency on subsidized drugs.

Efforts in prioritized growth markets are also continuing in force, which has also led to a significant expansion of Meda's marketing organizations.

The marketing organizations in Meda's growth markets currently employ about 700 people, an expansion of 300 employees since the beginning of 2012. Meda's combined sales in all growth markets comprise almost 15 percent of the company's total turnover and are displaying robust growth. Russia, the Middle East, China and Turkey currently make up Meda's largest growth regions.

MOVING FORWARD

The pharmaceutical industry is faced with major challenges but Meda is part of segments that will display growth. In a world that is striving after lower pharmaceutical costs on several levels, production costs will become more important. Meda has a good foundation of internal and external production, but we will gradually search for cost effective solutions in production.

In addition, we have a strong cash flow and will take action to continue our acquisitions of interesting products and investments in prioritized markets.

In conclusion, I would like to extend my thanks to all employees for their excellent contribution during 2012. Now we look ahead to the future, to face new exciting challenges.

Anders Lönner
Group President and CEO

Milestones in 2012

- DYMISTA WAS APPROVED BY THE US FOOD AND DRUG ADMINISTRATION (FDA)
 - Unique product for treatment of allergic rhinitis. US pre-launch during the fall.
- ZYCLARA APPROVED IN EUROPE
 - A drug for the treatment of actinic keratosis, a premalignant condition of skin cancer.
- STRENGTHENED PRODUCT PORTFOLIO IN US
 - Acquisition of products such as MidNite (treatment for insomnia) and Elestrin (treatment of vasomotor symptoms).
- INTERNATIONAL LAUNCH OF SEVERAL NEW OTC PRODUCTS
 - SB12 has now been introduced on some ten markets outside the Nordic countries.
- SIGNIFICANT EXPANSION OF MARKETING ORGANIZATION ON GROWTH MARKETS
 - The marketing organizations in Meda's growth markets currently employ about 700 people, an expansion of 300 employees since the beginning of 2012.

2012 in figures

- Group net sales reached SEK 12,991 million (12,856).
- Increased investments in the marketing- and sales organization.
- Operating profit decreased to SEK 1,791 million (2,644).
- Profit after tax increased to SEK 1,180 million (1,608).
- Earnings per share reached SEK 4.00 (5.35).
- EBITDA was SEK 3,935 (4,683), yielding a 30.3% margin (36.4).
- Proposed dividend per share: SEK 2,25 (2.25).

Efforts to develop Meda into a world-leading specialty pharma company continue

Meda's ambition is to become the world's leading specialty pharma company. Meda pursues this via acquisitions of companies and product rights, long-term partnerships, and enhanced presence in growth markets teamed with late-phase development. The company's direction is based on developments in the global pharmaceutical market, as well as the challenges faced by public authorities in different countries due to increasing pharmaceutical costs.

CONTINUED GROWTH IN PHARMACEUTICAL MARKET

The driving factors behind growth in the global pharmaceutical market are primarily population increases around the world, the gradual increase in life expectancy and changes to the range of drugs available, with a greater focus on lifestyle diseases.

Demand for medicines for age-related diseases is on the rise, as are costs. The pharmaceutical cost associated with a 60-year-old is generally estimated at twice the cost associated with a 40-year-old. Successful treatments in health care mean that more patients survive acute and other serious conditions, which results in various chronic or secondary conditions requiring drug treatment. Continual drug treatment to prevent various illnesses and hospital stays has high priority from care providers, which fuels demand. The combination of increased use of medications per patient and a growing number of new patients accounts for an upswing in pharmaceutical market volumes,

with increases in both the number of prescriptions and the dosages dispensed.

The focus of research and development into new drugs is increasingly focused on lifestyle diseases and illnesses that were never before subject to medical treatment. The fact that more people can afford medications means that newly developed drugs are often expensive. Since newly developed drugs have reduced expenses in other areas, prices are largely justified from both a medical and a socio-economic perspective.

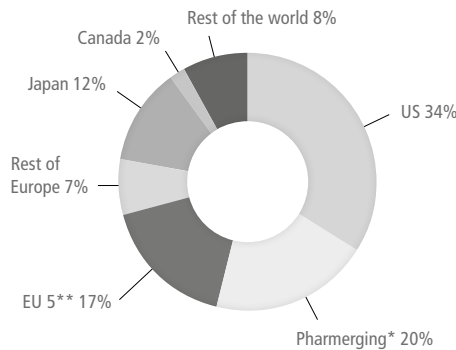
However, certain changes to the availability of pharmaceutical products may have the opposite effect. Increased prescribing of generic drugs, i.e. copies of original, more expensive drugs whose patents have expired, and increased use of OTCs has a cost-lowering effect. Prescription products displayed a greater sales increase than OTCs between 2001 and 2008. The reverse is true of recent years. The availability of OTC pharmaceuticals has primarily increased in therapy areas such as respiratory and pain and inflammation, while the range of OTC products has gradually expanded to include more therapy areas than previously.

CLEAR CHANGE IN PHARMACEUTICAL MARKET

GROWTH MARKETS ACCOUNT FOR GREATEST INCREASE IN DEMAND

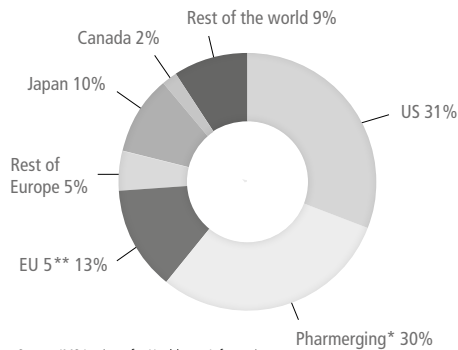
In 2011, the global pharmaceutical market had a total estimated value of more than USD 950 billion. In terms of value, consumption of phar-

THE GLOBAL PHARMACEUTICAL MARKET, 2011



*) China, Brazil, Russia, India, Mexico, Turkey, Poland, Venezuela, Argentina, Indonesia, South Africa, Thailand, Romania, Egypt, Ukraine, Pakistan and Vietnam.
**) France, Germany, Italy, Spain and the UK.

FORECAST FOR THE GLOBAL PHARMACEUTICAL MARKET, 2016



Source: IMS Institute for Healthcare Informatics.

maceuticals remains highest in North America and Europe. North America represents about 34% and Europe around 24%.

In Europe, the five largest markets are Germany, France, Italy, the UK, and Spain, which together make up approximately 70% of the total European market.

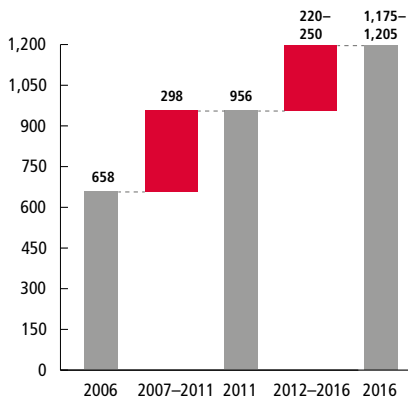
This is not the case for growth. Anticipated growth in North America for the years 2012–2016 is 1–4% per year, which is a drop from an average of just over 3% per year for the period 2007–2011. The reasons behind the weaker development are primarily impending patent expirations, rapid growth of generics and continued effects from the economic downturn that began in 2008. Growth in Europe is anticipated to be weaker. Forecasts indicate growth between 0–3% for Europe as a whole, with clear variations between submarkets, compared with

average growth of 3.8% a year for the period 2007–2011. In southern Europe, negative growth is expected in the coming years. The reasons are the same as for the US, and that the macroeconomic problems that have affected Greece, Spain, Italy, and Portugal have led to austerity programs within public health care. In central and northern Europe, growth for the next four years is forecast at between 1 and 3% a year, depending on the market.

China is displaying an annual growth rate of about 15% and is on its way to becoming the third largest market in the world. China, along with 16 other countries (Brazil, Russia, India, Mexico, Turkey, Poland, Venezuela, Argentina, Indonesia, South Africa, Thailand, Romania, Egypt, Ukraine, Pakistan, and Vietnam) form a group of growth markets (jointly known as the pharmerging markets) that will see a considera-

ble increase in pharmaceuticals consumption up to the year 2016. Forecasts indicate that the 17 growth markets will increase their proportion of the global pharmaceuticals market from 20% in 2011, to 30% in 2016.

GLOBAL SALES TREND, FORECAST FOR GROWTH, 2006–2016, USD BILLIONS



Source: IMS Institute for Healthcare Informatics.

CONTINUED TREND TOWARDS CONSOLIDATION AND CONCENTRATION

The trend towards a higher degree of consolidation and concentration in the pharmaceutical industry is continuing. The trend towards mergers or acquisitions is propelled by opportunities for streamlining R&D and achieving economies of scale in production and marketing. The major multinational pharmaceutical companies, big pharma, are intensifying efforts to develop new “blockbusters”, i.e. drugs that sell for more than USD 1 billion per year. As such, big pharma earmark more and more of their resources to develop drugs for conditions that require life-long treatment, such as obesity, dia-

betes, cancer, and arteriosclerosis.

One effect of this approach is that big pharma assign lower priorities to numerous medically valuable products. The assessment is that forecasted sales figures are too low, or that the products are local, with sales in a limited number of geographic markets. In some cases, large pharmaceutical companies completely abandon certain therapeutic areas to focus more on those areas where they have opted to pursue long-term research.

Resource limits are forcing small, medium-sized, and newly established pharmaceutical companies to increasingly concentrate on well-defined specialized areas. This has helped several new companies to find a market niche, specializing in specific areas such as research and development, production, or sales and marketing. As specialists within clearly defined areas it is common for these companies to offer cost-effective outsourcing, meaning that other companies will have the option of procuring selected services, avoiding the need for big, expensive organizations traditionally associated with the pharmaceutical sector.

IMPROVED COST CONTROL IN EUROPE

Europe has a long history of continuously increasing costs for publicly funded drugs. However, the pattern was broken in conjunction with the global financial crisis that struck in 2008. As a consequence of the macroeconomic problems, many countries increased their efforts to make cutbacks in the public sectors, and health care was one area where cost reductions were deemed possible. Authorities in the majority of European countries have intensified their price control efforts to secure price cuts for pharma-

ceuticals, which has led to a number of drugs losing their former reimbursement status in recent years.

Influence over the choice of medications has also gradually shifted from prescribing doctors to various coordinating committees and purchasing organizations. Product comparisons of medical properties and price have become increasingly common, which has altered the playing field for the pharmaceutical industry. Overall price control mainly occurs through legislation and regulation of reimbursement of prescription drugs, and by instructing prescribers to always select the least expensive equivalent product. Regulations also vary from country to country, including within the EU. Furthermore, requirements regarding increased competition by minimizing obstacles for new players complicates matters when balanced against the imperative for safe and secure drug use for consumers.

GENERICIS DISPLAY INCREASINGLY STRONG GROWTH

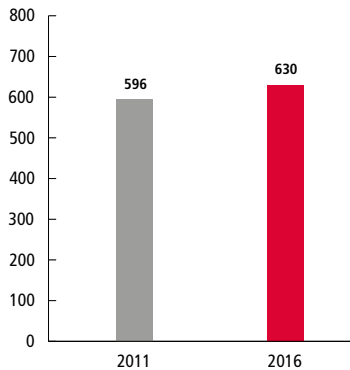
Generic drugs are copies of original drugs whose patents have expired and thus can be produced by several manufacturers. The market for generics has seen strong growth over the past five years, chiefly in the growth markets, where they are being increasingly used as alternatives to the more expensive original drugs.

The US is the single largest market for generics. The market in Europe is fragmented. In several Eastern European countries, generic drugs account for the majority of total prescriptions. In some countries, generics make up more than 70% of market volume.

In contrast, generic prescriptions remain low in several large markets, such as France, Spain, and Italy. Sweden, Denmark, Germany, and the UK remain in the midrange. But Germany and the UK have the greatest sales of generic drugs, in terms of value.

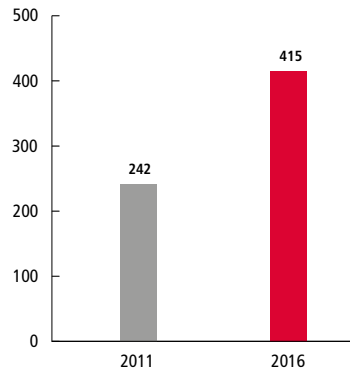
As with big pharma, the objective for the major global generics companies is to strengthen

GLOBAL SALES TREND FOR SPECIALTY PRODUCTS, 2011–2016, FORECAST, USD BILLIONS



Source: IMS Institute for Healthcare Informatics.

GLOBAL SALES TREND FOR GENERICS, 2011–2016, FORECAST, USD BILLIONS



Source: IMS Institute for Healthcare Informatics.

competitiveness through mergers and acquisitions. Operating on a large scale primarily creates opportunities for more efficient marketing, resulting in lower costs.

INCREASE FOR OTC PRODUCTS

The trend towards preventive health care has gradually strengthened in recent years. Over the past few years, patient awareness has increased considerably regarding various illnesses and drugs, and which OTC products can be used for different needs. The internet is a key channel for information in this area. This means that many patients are extremely active in searching for information themselves. OTC products have become a key complement to prescribed drugs, as they often save patients time and money and at the same time lighten the burden on health care services.

The nature of the self-care market differs from the prescription drugs market in several ways. Without patent protection it is therefore important for the individual OTC products to build strong brands and build up a high level of customer loyalty. The channel for reaching customers is various kinds of media, including television, radio, printed media, and the internet, and increasingly also social media. The competition situation is therefore on the whole similar to that for general consumer goods.

Growth is currently higher for OTC products than for prescription drugs. Here, too, there are major differences from one country to the next. In growth markets such as Brazil, Russia, China, and India, the annual growth rate for OTC products is 10% or more, compared to 3–4% in North America. Growth is lower in

Japan and some European countries (including the UK, Germany, France, and Italy).

SPECIALTY PHARMA

Big pharma's focus on developing new "block busters", i.e. best-selling drugs within the most profitable therapy areas, has created a market niche for a new type of pharmaceutical company: specialty pharma companies. When the major multinational pharmaceutical companies give lower priority to certain projects, despite the products being medically valuable, specialty pharma companies can carry out product acquisitions for everything from smaller niche products, to potentially major products. Expertise and resources for efficient marketing are a key ingredient of specialty pharma companies' business concepts. Meanwhile, the companies are often flexible in relation to their operations, which is essential in being able to satisfy the needs of the market with regard to cost efficiency.

Specialty pharma companies aim to seek acquisitions of products in late clinical phases or close to regulatory approval. This avoids the risks associated with early research. New products are also supplied by the acquisition of medically valuable drugs for which the sales trend may have stagnated. It is in this area that specialty pharma companies have the opportunity to achieve satisfactory volumes through increased prioritization of marketing and concentration on local markets.

The product portfolios of specialty pharma companies can encompass everything from pure generics to enhanced specialist products, which target small yet clearly defined groups.

In addition, interest in the OTC market has grown in recent years as it is displaying high growth and is less vulnerable to patent expirations and price pressure.

Specialty pharma companies are often attractive partners for pharmaceutical, research, development, and biotech companies that lack marketing organizations of their own. They have the ideal conditions to increase cost efficiency through active partnerships regarding both potential global blockbusters and smaller niche products, and they can adapt their sales and marketing to local markets.

Broadly speaking, the specialty pharma sector falls into three segments:

1. GENERICS

Large volumes are crucial for successful production, marketing, and sales of generic products. These companies therefore focus on the active ingredients for blockbuster products. In some cases, these products can be improved in some way to distinguish them from other versions.

2. DRUG DELIVERY

Companies that specialize in drug delivery develop new methods of getting the medication into the body. This may take the form of tablets, capsules, injections, sprays, inhalers, or patches. This often involves inventing a new administration technique for patent-free substances to create a new, improved, and in some cases patented product. Development costs for this type of product are significantly

lower than for traditional early stage research. The drug delivery segment includes companies that focus solely on developing new technologies and companies that choose to combine existing technology with commercialization of key proprietary products, which can occur in collaboration with other companies or entirely under their own management.

3. ACQUISITIONS AND IN-LICENSING

A third category of specialty pharma companies focus their business on building a product portfolio, usually within a limited number of therapy areas. This is primarily achieved through acquisitions and in-licensing. Restricting itself to a limited number of therapy areas enables the company to compete with much larger companies at limited capital investment and risk. There is also the possibility of supplementing marketing of specialist products and acquired original drugs with in-house product development of, say, new pharmaceutical formulations or new indications; this is known as product life-cycle management.

Meda's ambition is to be the world's leading specialty pharma company in this category. Meda pursues this via acquisitions of companies and product rights for both prescription (RX) and non-prescription drugs (OTC), long-term partnerships, and enhanced growth market presence teamed with late-phase development.

MEDA

PHARMACEUTICALS

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ABU

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MERCK

DYMISTA™
azelastine hydrochloride and
fluticasone propionate Nasal Spray
137 mcg/50 mcg per Spray

DYMISTA
azelastine hydrochloride and
fluticasone propionate Nasal Spray
137 mcg/50 mcg per Spray

Strategy and business development

Meda's business concept is

To offer cost-effective, medically well-motivated products.

The goal

To enhance its position and become the world-leading specialty pharma company.

The means

An active acquisition strategy and organic growth through market-adapted product development.

Over the past decade, Meda has developed into a leading international specialty pharma company with its own sales organizations in more than 55 countries. In other markets around the world, its products are marketed and sold via agents/distributors and other pharmaceutical companies. Meda's pharmaceuticals are sold in more than 120 countries and Meda is about the 50th largest pharmaceutical company in the world by sales.

The long-term strategy for growth and expansion is based on a combination of supply of own products and increased market focus. This has been achieved through acquisitions of companies and exclusive product rights, and through long-term collaborations with other pharmaceutical companies. At the same time, company capabilities within sales, marketing, and business development have continued to expand. Meda has teamed a cost-effective approach with a focus on medical quality to meet customer needs.

Company expansion has been oriented mainly towards identifying potential acquisitions, both companies and individual products, and opportunities to in-license drugs. Several strategic acquisitions were completed in the period 2005 to 2008, including German pharmaceutical group Viatrix, 3M's European pharma division, US specialty pharma company MedPointe, and Valeant's European pharmaceutical division.

These acquisitions have transformed Meda from a Swedish to an international specialty pharma company with proprietary US and European sales organizations and access to a global pipeline.

A portfolio comprising several successful OTC products was obtained through the acquisition of US specialty pharma company Alaven in 2010, and the incorporation of Nordic OTC company Antula in 2011. Meanwhile the expansion of the sales and marketing organizations in a number of growth markets has been intensified.

Meda enjoys a strong position within the product areas Specialty Products, OTC, and Branded Generics, and the company's strategy for continued expansion remains highly

relevant for the future. Acquired companies are immediately integrated into Meda's Group organization, and mature and specialist product acquisitions are transferred directly to the corporate product portfolio.

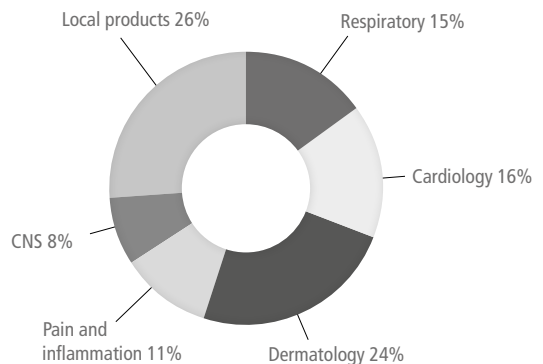
Sales and marketing are top priority. Meda strives to maintain a non-hierarchical organization with short decision paths and efficient work processes, which when melded with the resources of a large company create clear competitive advantages that ensure continual realization of key business opportunities. Product acquisitions are preceded by meticulous analysis based on several criteria, including brand strength, the product's phase in the product life-cycle, patent protection, profitability, complexity of product formulations, and further potential for product development.

Meda's own drug development aims to enhance future organic growth by building up a strong pipeline. Meda refrains from risky, capital-intensive early research, in line with the company's strategy. The focus is instead on development in the late clinical phase.

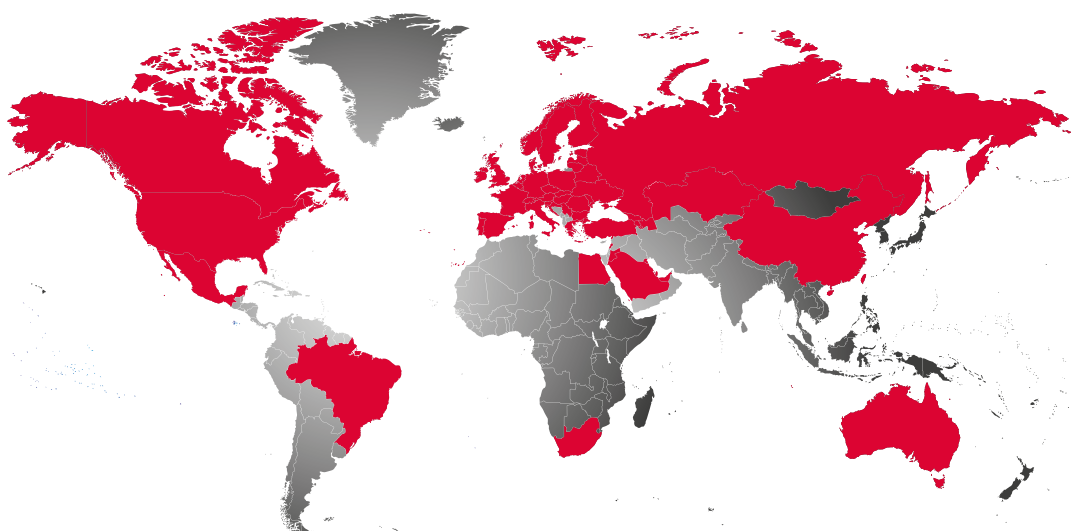
Numerous important advances in drug development were made in 2012. These advances relate mainly to:

- Dymista, which was approved by the US Food and Drug Administration (FDA) in May. Dymista is a new patented product intended for patients with allergic rhinitis. Dymista's efficacy and safety were documented in several studies with more than 4,600 patients, including a long-term safety study of more than 600 patients. Dymista has consistently displayed faster and more complete symptom relief than standard treatment in the US (fluticasone propionate). Dymista was approved in Europe in January 2013 and registration is underway in other markets.
- Edluar, which was approved in Europe in June, for treatment of insomnia. Edluar was approved in the US in 2009 and the drug was launched in Canada at the start of 2012, under the name Sublinox. Edluar/Sublinox uses a unique and patented sublingual tablet formula that is fast-acting and effective. Registration is underway on markets outside North America and Europe.
- Zyclara (imiquimod 3.75% cream) for actinic keratosis, which was granted marketing approval by the European Commission in August. Actinic keratosis can develop into squamous cell carcinoma, a malignant tumor, which is why early treatment is important. Zyclara is the first clinically proven treatment option that can detect and eliminate sub-clinical and clinical actinic keratosis lesions on large areas of skin.

SALES BY THERAPY AREA



Meda in brief



Meda has a broad geographic coverage with pharmaceutical sales in more than 120 countries.

OPERATIONS

Meda is an international specialty pharma company with its own sales organizations in over 55 countries and operations expanding in growth markets.

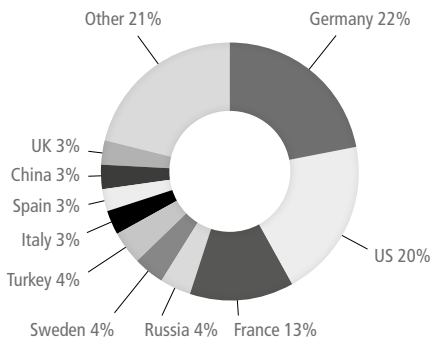
Meda is the 50th largest pharmaceutical company in the world. At the end of 2012, Meda had 2,900 (2,623) employees, about 1,800 of whom work in sales and marketing.

Sales and marketing activities are carried out

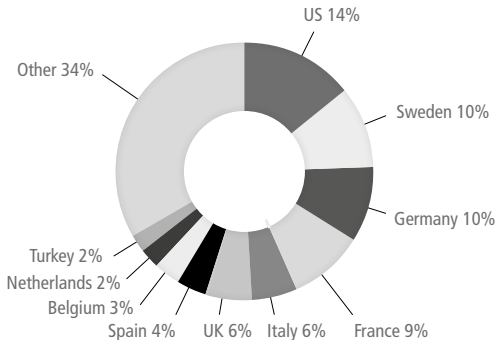
via agents in countries where Meda has no representation. Meda's pharmaceuticals are sold in more than 120 countries. Meda AB is the Group's parent company and its head office is in Solna, Sweden.

Meda is listed under Large Cap on the NASDAQ OMX Nordic Exchange in Stockholm, Sweden.

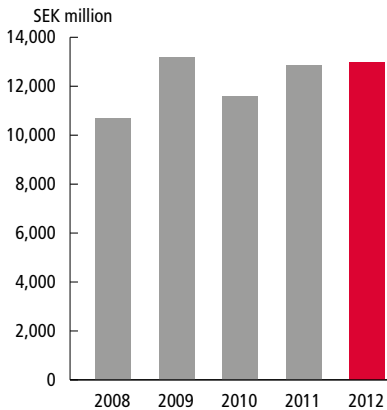
EMPLOYEES BY COUNTRY



SALES BY COUNTRY



SALES TREND



Sales in 2012 amounted to SEK 13 billion and have a broad geographical distribution.

PRODUCTS AND KEY THERAPY AREAS

Meda's product portfolio is divided into three main areas: Specialty Products, OTC (non-prescription products), and Branded Generics. All areas have in common the fact that Meda has chosen to focus on niche products that hold a strong position in their respective therapy areas, locally or globally.

Meda's therapy areas are: respiratory, dermatology, cardiology, pain and inflammation, and central nervous system (CNS). These groups make up about 74% of total sales. Local products, which have strong brands and market positions, constitute another major part of Meda's product portfolio. Meda remains firmly focused on specialty drugs for small patient groups. Specialty drugs often have lower sales overheads, because marketing can be directed towards a homogeneous target group.

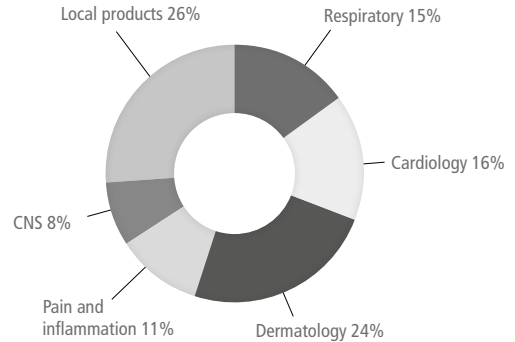
As a general rule, the market for specialty drugs is less subject to competition and price sensitivity. In contrast, blockbuster products demand massive marketing efforts in a market that is often highly competitive.

Over-the-counter products (OTC) have gained significance for Meda in recent years. Growth has occurred both organically and via acquisitions.

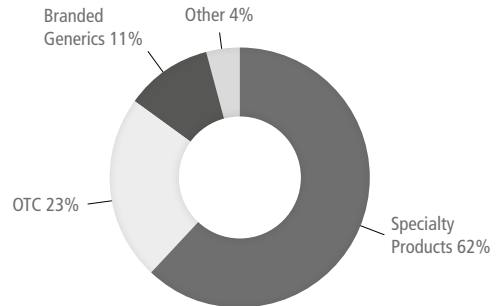
WELL-DIVERSIFIED PRODUCT PORTFOLIO

Meda's product portfolio is well-diversified. The company's presence is focused on a number of strategically selected therapy areas with a balanced range of drugs within each therapy area. The fact that our product portfolio is well-balanced means that the company is not overly dependent on any single product. The largest product, Betadine, accounts for six percent of total sales and the ten largest products together constitute just over 30% of Meda's total sales.

SALES BY THERAPY AREA



SALES BY PRODUCT AREA



MEDA'S FUNCTIONS

Meda's operations are organized in four functions:

- Sales and marketing
- Drug development
- Manufacturing
- Administration

SALES AND MARKETING

At the end of the year, Meda's marketing function consisted of about 1,800 employees and 1,900 employees including limited-term employees. An efficient, non-bureaucratic structure characterizes the organization. Read more about sales and marketing on page 18.

DRUG DEVELOPMENT

In addition to drug development, this function includes regulatory activities and business development. The function focuses on market-specific product development, with an emphasis on several development projects in the late clinical or registration phase. Read more about Meda's drug development and pipeline on page 37.

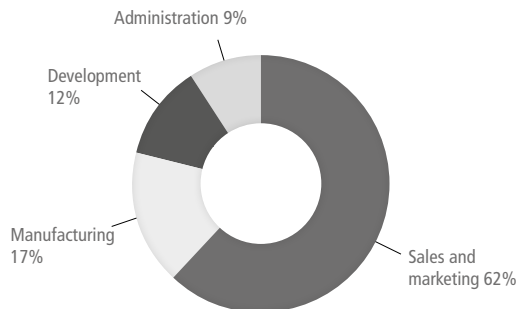
MANUFACTURING

The manufacturing function is tasked with ensuring the flow of products to Meda's marketing companies, partly via four proprietary manufacturing units in Europe and the US, and partly via contract-manufacturing. Read more about manufacturing and product supply within the Group on page 40.

ADMINISTRATION

The administration function consists mainly of Meda's finance department and Group Services. Broadly speaking, the tasks of the finance department are divided into three areas: performance (budgeting, planning, and follow-up), compliance (accounting, reporting, and taxes), and risk management (currency and interest rate risks and insurance). The Group Services department comprises Meda's legal functions, brand management, and HR administration.

DISTRIBUTION OF EMPLOYEES BY FUNCTION



Sales and marketing

Meda’s sales and marketing organization spans all of Europe and the US, as well as an increasing number of growth markets in other parts of the world. Expansion on growth markets continued during 2012, and by the end of the year they accounted for 15% of Meda’s total sales, an increase from 13% in 2011.

Outside Sweden, expansion has occurred both organically and through acquisitions. The acquisition strategy is based on quickly integrating acquired companies into the Meda model, which is characterized by streamlined administration, highly efficient marketing and personal sales, and a desire to take advantage of the best expertise in the acquired companies.

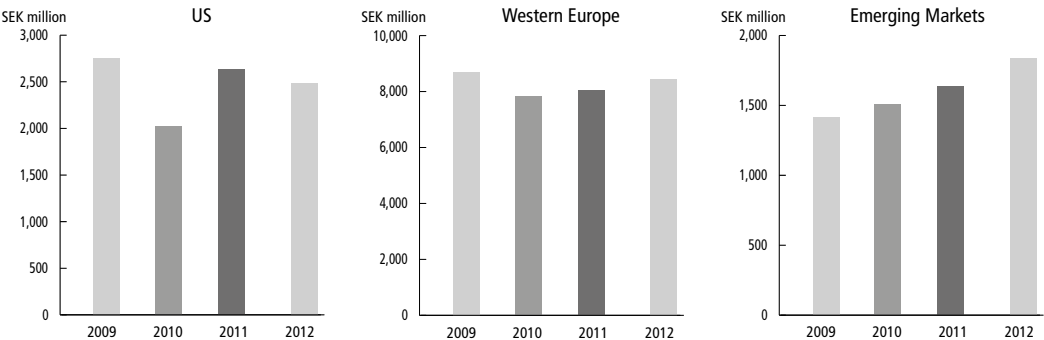
In 2012 as well, several European countries were forced to manage large budget deficits, which led to cuts in health care expenditure, resulting in price pressure and discounts on pharmaceuticals. This trend is particularly evident in the southern European markets, which is why Meda adapted costs to maintain profitability.

There are few signs of growth for the pharmaceutical market in Southern Europe in the near future. A weak, but clear decline is expected in the value of the submarkets in countries such as Greece, Spain, Portugal, and Italy. Demand in the rest of Europe is expected to increase slightly. In the US the market is mature and the underlying volume growth is low,

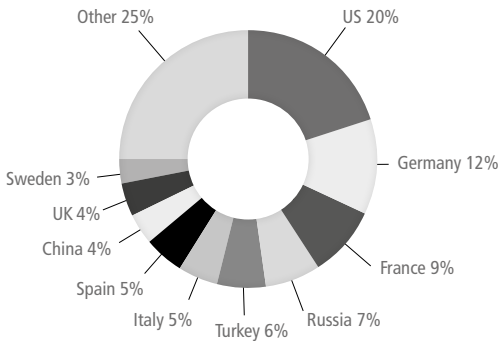
however there is scope for slight price rises.

It is anticipated that future growth for the global pharmaceutical market will mostly occur outside Europe and the US. Meda’s product portfolio and pipeline has significant potential in emerging growth markets. For this reason Meda has elected to enter several important markets to be able to capitalize on the full product value and growth potential ourselves. Meda has, for example, built up marketing organizations in Russia, China, Turkey, Mexico, and Australia in recent years. These investments have continued to grow during 2012, and new marketing organizations have been established in countries including Hong Kong.

SALES BY MARKET



MARKETING BREAKDOWN BY COUNTRY



GEOGRAPHIC DISTRIBUTION

EXPANSION IN EMERGING GROWTH MARKETS

Meda's market presence is strong in Europe and the US. Approximately 900 employees are based in Europe and about 350 in the US. Overall, global sales and marketing comprises just over 1,800 employees in more than 55 countries. Expansion of the organization in growth markets has continued during the year, a development that has top priority.

An efficient structure and, in general, highly educated employees characterize Meda's sales and marketing organization.

MARKETING

DIFFERENTIATED APPROACH

Quality and knowledge are the cornerstones of Meda's marketing operations. There is also a strong incentive for adapting to local conditions, which differentiates the approach between different markets and products, taking into account local legislation and the type of approval that a product has, prescription or OTC.

Prescription drugs are marketed mainly via personal sales combined with training programs and seminars, often in collaboration with clinics. Pharmaceutical consultants make personal sales visits in all countries, targeting carefully selected groups. OTC pharmaceuticals

are primarily marketed to the public via several media channels.

Patients are increasingly searching for further information on drugs, which provides more knowledge and increases participation in treatment decisions. The internet is an extremely important channel for information.

The patient organizations and advocacy groups that exist in most countries for many diseases are another channel offering relevant information.

CUSTOMERS

Establishing confidence in the company's products among various customer and patient groups is a priority area for Meda. For prescription drugs, the most important target groups are doctors, nurses, and other medical professionals at specialist clinics and general practices. The health care system has key opinion leaders (KOLs), such as leading specialists on prescribing committees, with strong international, national, and local influence.

On many markets, prescribing committees or purchasing organizations function as industrial buyers, known as gatekeepers. Such organizations may include government agencies or private health insurance providers, and they compare and evaluate the properties and prices of various products, decide on subsidy levels, issue recommendation lists, and make direct purchasing decisions. The influence of gatekeepers in both Europe and the US has gradually increased in recent years, which has led to tougher requirements on manufacturers and distributors. "Evidence-based medicine", that is, the documented clinical profiles of drugs, is increasingly accompanied by demands for cost-effectiveness and health economic gains. In some markets, organizations negotiate directly with pharmaceutical companies as to whether or not their products will be covered by the organizations' systems.

Meda has a strong focus on specialty drugs (niche busters) which means that marketing strategies are targeted at specialist physicians. There is a big difference in the cost of sales and marketing efforts to specialists, and marketing pharmaceuticals to general practitioners in out-patient care. Specialist pharmaceuticals mean lower sales overhead, because marketing can be directed towards a limited and extremely homogeneous target group. In the largest European markets, the marketing cost per sold krona (SEK) is 20-30 times higher for products that target general practitioners, compared with products that target specialists.

For OTC medications, marketing is generally focused on end customers: patients. TV, radio, printed media, internet, and also social media are key channels for getting information into the public domain. Pharmacies and other establishments that sell pharmaceuticals are also important sales channels for OTC drugs, since their staff often provide advice to customers.

COMPETITORS

MEDA'S COMPETITIVE ADVANTAGES

Like most other pharmaceutical companies, Meda is mainly exposed to product competition. The decisive factors in a product's market position and success are its clinical profile, effects, side effects, and cost effectiveness in comparison with similar products. It is primarily medically valuable products, combined with an experienced sales and marketing organization with specialist expertise in key therapy areas, that give Meda its competitive edge.

Meda is also exposed to competition from, above all, other pharmaceutical companies that have a similar operational focus in terms of product acquisitions and in-licensing. Meda's sound market coverage and substantial capa-

city for registration and development give the company a strong competitive advantage in this area. In major structural deals, Meda may also face competition from venture capital companies, often in collaboration with other pharmaceutical companies.

INTERNATIONAL TRADE BUSINESS

COVERING MORE THAN 70 COUNTRIES

International Trade Business (ITB) is a Meda unit in charge of products that are marketed and distributed by partners in countries in which Meda has no sales organization. ITB operates in around 70 countries and generates significant sales and profit. ITB's partner process is a systematic method for marketing Meda's products in key markets. A proven concept is used for products that are then adapted to local conditions. ITB also has an overall mission of creating the right conditions for Meda to take the step of establishing its own new sales organizations in these markets, when the time is right.

MARKETING CENTERS

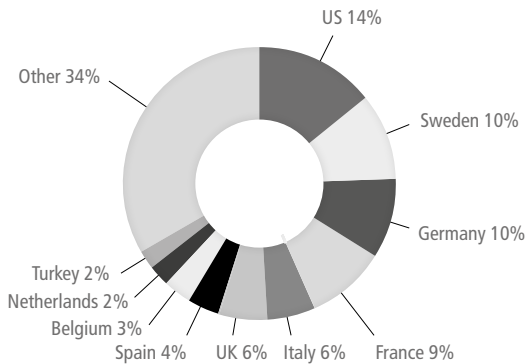
SUPPORT FUNCTION FOR INTERNATIONAL DEALS

Meda's marketing centers are marketing organizations within the company that have no geographic ties. The centers provide support to a given product group in a specific therapy area. Meda's marketing centers also maintain relationships with KOLs and international organizations in what is called medical marketing. The marketing centers also handle the flow of information about all Meda's products and function as a support to the local sales organizations by contributing knowledge, ideas, and experience.

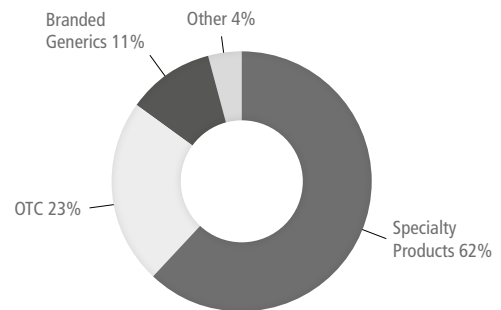
Product portfolio

Meda has a well-diversified product portfolio, a global presence, and is represented within all areas of pharmaceuticals: Specialty Products, Branded Generics, and OTC. Meda's products fall within five therapy areas: respiratory, dermatology, cardiology, pain and inflammation, and CNS, of which respiratory and dermatology are priority areas. In 2012, products in these five therapy areas accounted for 74% of total sales.

SALES BY COUNTRY



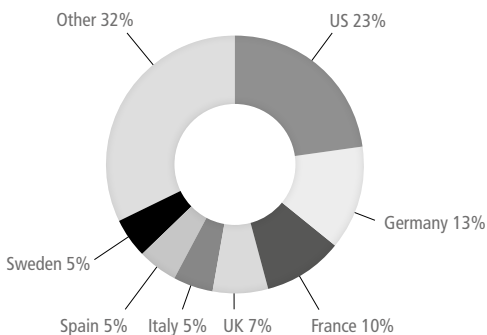
SALES BY PRODUCT AREA



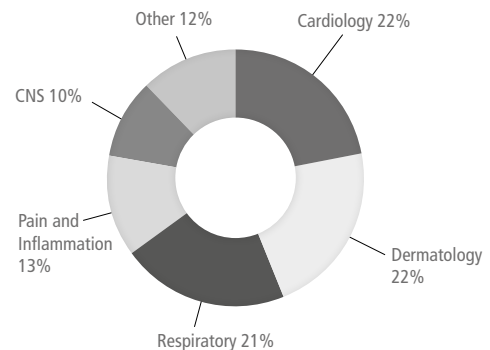
The product mix is well balanced. The ten largest individual products accounted for about one-third of total sales at year-end 2012, of which the best-selling product accounted for about six percent. To follow is a description of one of the various areas within which Meda operates, as well as a selection of the products that represent different product and therapy areas.

SPECIALTY PRODUCTS

SALES OF SPECIALTY PRODUCTS BY COUNTRY



SALES OF SPECIALTY PRODUCTS BY THERAPY AREA



Specialty Products account for about 62% of Meda's total sales. The product group comprises prescription brand-name drugs. Meda has in general chosen to focus on niche products within each therapy area since the company's products often have stable profitability. In recent years, markets like the US and western Europe have matured and growth rates have slowed down. There is growth potential on emerging markets, however. New product launches are also expected to contribute to growth. Several of Meda's products have recently been approved for launch, including Dymista and Zyclara, which are expected to have a positive impact on sales growth.

RESPIRATORY

Asthma and allergies are widespread diseases. By 2012, an estimated 60 million people will suffer from asthma and 180 million from allergic rhinitis in just seven markets: the US, Japan, France, Germany, Spain, Italy, and the UK. Asthma is a chronic condition affecting the respiratory tract and lungs. The condition is widespread throughout the world and is the most common chronic illness in children. Allergic rhinitis is an inflammatory condition of the mucous membrane of the nose, that often affects the eyes as well. Allergic rhinitis, which is caused by allergens that are found both indoors and outdoors, can be either seasonal or perennial.

Both asthma and allergic rhinitis result in major health economic costs as the conditions are so widespread and on the increase. Chronic obstructive pulmonary disease (COPD) is another widespread condition commonly associated with asthma and allergies. In 2011 an estimated 60 million people in those same seven large markets suffered from COPD. COPD is a life-threatening pulmonary disease that affects the breathing. The primary cause of COPD is smoking or passive smoking.

All these conditions are both underdiagnosed and undertreated. There are two types of medication for treating asthma, both fast-acting and long-acting. The common treatment alternatives for allergic rhinitis are oral/intranasal antihistamines and intranasal corticosteroids.

Meda's largest products in Specialty Products include four in the respiratory therapy area: Astepro and Astelin for the treatment of allergic and non-allergic rhinitis, and Novopulmon Novolizer and Formatrix Novolizer for the treatment of asthma, COPD, and chronic bronchitis, as well as the recently launched Dymista for allergic rhinitis. Other Meda products in this area include Allergospasmin (reproterol, sodium cromoglycate), a combination drug for treatment of exercise-induced asthma and mild asthma due to allergies and other complaints; Ventilastin (salbutamol), a bronchodilator that alleviates asthma and COPD symptoms; and Optivar (azelastine) for treatment of allergic conjunctivitis.

KEY PRODUCTS IN RESPIRATORY

DYMISTA

Dymista contains the active ingredients azelastine and fluticasone and is a nasal spray approved for treatment of seasonal allergic rhinitis on the US market, and seasonal and perennial allergic rhinitis in Europe. Dymista's efficacy and safety were documented in several studies with more than 4,600 patients, including a long-term safety study of more than 600 patients. Dymista has consistently displayed faster and more complete symptom relief than standard treatment in the US (fluticasone propionate).

The US launch took place in September 2012, and Dymista will be launched in Europe in 2013.



ASTEPRO

Astepro contains the active ingredient azelastine and is a nasal spray approved for treatment of allergic and non-allergic rhinitis. Astepro is a new, improved formulation of Astelin. It is better tolerated, more effective and acts faster.



FORMATIS NOVOLIZER

The active ingredient in Formatrix is formoterol, a bronchodilator or long-acting beta agonist. Formatrix is used for the treatment of asthma and COPD. Like Novopulmon, Formatrix is delivered via Novolizer, a dry powder inhaler.

Formatrix uses the Novolizer inhalation system, an advanced, refillable, multidose dry powder inhaler (MDPI). Novolizer is a patented system driven solely by inhalation. Unlike other systems, Novolizer sends signals that indicate correct inhalation and assure proper drug delivery. Formatrix is available in two strengths 6 and 12 µg depending on the market.



NOVOPULMON NOVOLIZER

Novopulmon contains the active ingredient budesonide. It is used to treat asthma and chronic obstructive pulmonary disease (COPD). Novopulmon uses the Novolizer inhalation system.

Novopulmon is available in 200µg and 400µg, of which the 200µg dose is registered and launched on most major European markets, and has a market leading position in Germany.



PRODUCT NAME	GENERIC NAME	PROFILE
RESPIRATORY		
Astelin®	Azelastine	Antihistamine for treatment of rhinitis (stuffy/runny nose).
Astepro®	Azelastine	Improved formulation of Astelin nasal spray.
Allergospasmin®	Reproterol, sodium cromoglycate	A combination product for corticosteroid-free treatment of exercised-induced asthma and mild asthma, e.g., when allergies flair up. Drug delivery via an inhaler.
Dymista®	Azelastine/fluticasone	A new product for treatment of patients with allergic rhinitis.
Formatrix®	Formoterol	A long-acting bronchodilator drug for symptom relief of asthma and chronic obstructive pulmonary disease COPD.
Novopulmon®	Budesonide	Anti-inflammatory inhalation drug (corticosteroid) for asthma, COPD, and chronic bronchitis. Drug delivery via an advanced powder inhaler (Novolizer).
Optivar®	Azelastine	Antihistamine for treatment of allergic conjunctivitis.
Ventilastin®	Salbutamol	A bronchodilator drug for symptom relief of asthma and chronic obstructive pulmonary disease (COPD). Drug delivery via an advanced powder inhaler (Novolizer).



Dymista symposium during the EAACI conference in Geneva.

DERMATOLOGY

Our skin acts as an important barrier to prevent infection and is a dynamic organ with a vital function. Diseases of the skin are found in all age groups and include many different conditions. Some of the most common skin diseases are eczema, psoriasis, acne and skin cancer.

Some of Meda's biggest products are in the dermatology therapy area: Betadine (treatment and prevention of infections in the skin and mucous membranes caused by bacteria, fungi, and viruses) and Aldara (treatment of actinic keratosis, superficial basal cell carcinomas, and external genital warts), and Elidel (treatment of atopic eczema).

Other Meda products in the dermatology therapy area include Solcoseryl (for wound care), Dermatix (a topical silicone gel that helps to maintain moisture balance in the skin, which for example, reduces scar formation), Efudix (a topical treatment for superficial pre malignant and malignant skin lesions), and Kamillosan (a chamomile concentrate for treatment of minor wounds and inflammation in the skin and mucous membranes).

KEY PRODUCTS IN DERMATOLOGY

ALDARA

Aldara has three indications: actinic keratosis, superficial basal cell carcinomas, and external genital warts in men and women. The active ingredient in Aldara is imiquimod, a proprietary ingredient with a unique action mechanism. Imiquimod is an immunomodulating agent that activates the body's own immune defenses through the skin.

Actinic keratosis is a skin disease characterized by reddish-brown, flaky spots on sun-damaged skin; the condition is precancerous, and could lead to squamous cell carcinoma.

Superficial basal cell carcinoma is the most common type of skin cancer and can be caused by sun exposure. Aldara works with the body's immune system to form natural substances that help fight superficial basal cell carcinoma or combat the virus that causes changes in the skin. Since superficial basal cell carcinoma is rarely metastatic, most patients can be cured.

External genital warts in men and women are caused by the human papilloma virus.





ELIDEL

Elidel is a proprietary drug for the treatment of atopic eczema based on pimecrolimus. Atopic eczema is a chronic, recurring inflammatory skin disease. The skin has a barrier function that plays a key role in defense against atopic eczema flare-ups. Elidel is the first topical preparation developed for the treatment of atopic eczema that does not contain a corticosteroid. Elidel has been documented in studies involving more than 60,000 patients. Elidel is currently available for sale in 90 markets around the world, through Meda's own marketing organization and through partners. In North America, Elidel is out-licensed to Valeant, who will also partner with Meda for product development related to Elidel.



ZYCLARA

Zyclara can be used to treat actinic keratosis. The active ingredient in Zyclara is imiquimod 3.75%, with a unique formulation that means that Zyclara can be used on a significantly larger treatment area. Zyclara was approved in Europe in 2012 and the product is due to be launched in 2013.

PRODUCT NAME	GENERIC NAME	PROFILE
DERMATOLOGY		
Aldara®	Imiquimod	Immunomodulating agent for treatment of actinic keratosis, superficial basal cell carcinoma, and external genital warts.
Zyclara®	Imiquimod 3.75%	Immunomodulating agent for treatment of actinic keratosis.
Elidel®	Pimecrolimus	Elidel is used to treat atopic eczema.
Betadine®	Povidone iodine	Iodine-based antiseptic to treat and prevent infections of the skin and mucous membranes.
Dermatix®	Silicone gel	Transparent, topical silicone gel that helps to maintain the skin's moisture balance, improving the appearance of scars and reducing their size.
Efudix®	5-Fluorouracil	For topical treatment of superficial pre malignant and malignant skin lesions.
Kamillosan®	Chamomile	Chamomile concentrate for treatment of minor wounds and inflammation of skin and mucous membranes.
Solcoseryl®	Hemodialysate	Solcoseryl is used within CNS and dermatology to treat wounds. The product is used in a wide range of medical fields, such as CNS and surgery.

CARDIOLOGY

Cardiovascular disease is a collective term for diseases that affect the circulatory system, such as arteriosclerosis, atrial fibrillation, and chronic heart disease. Many risk factors affect the prevalence of cardiovascular diseases, including age, diet, exercise, genetics, smoking, and stress. Cardiovascular disease is most prevalent in Germany, Japan, and the US.

Two of Meda's biggest products are in the cardiology therapy area: Tambocor (arrhythmia) and Minitran (angina pectoris). Other cardiovascular products sold by Meda include the antihypertensives Cibacen, Cibadrex, Zanidip, and Zanipress as well as Marcoumar (an anticoagulant) and Torem (a loop diuretic).

KEY PRODUCTS IN CARDIOLOGY

PRODUCT NAME	GENERIC NAME	PROFILE
CARDIOLOGY		
Ascal®	Carbasalate calcium	An anti-platelet agent used as prophylaxis following cardiovascular events.
Cibacen®	Benazepril hydrochloride	Third-generation ACE inhibitor for treatment of high blood pressure (hypertension) and heart failure.
Cibadrex®	Benazepril hydrochloride + hydrochlorothiazide	Cibadrex combines the effects of Cibacen with the diuretic effect of hydrochlorothiazide.
Cyklokapron®	Tranexamic acid	Treatment of heightened fibrinolysis or fibrinogenolysis with hemorrhaging or risk of hemorrhaging and prevention of hereditary angioneurotic edema.
Marcoumar®	Phenprocoumon	An anticoagulant that inhibits blood clotting.
Minitran®	Glyceryl trinitrate	Vasodilator for prevention of chest pain/angina pectoris.
Tambocor®	Flecainide acetate	Prevention and treatment of paroxysmal atrial fibrillation.
Torem®	Torsemide	A loop diuretic for treatment of hypertension and oedema.
Zanidip®	Lercanidipine	Calcium channel blocker for hypertension treatment.

PAIN AND INFLAMMATION

One of the most common reasons for seeking medical attention is chronic or acute pain. In Europe, an estimated one in five adults suffers at least one period of chronic pain during their lifetime.

The pain market is generally divided into nociceptive and neuropathic pain. Nociceptive pain, also called tissue damage pain, means that potentially harmful stimuli activate nociceptors. Put simply, it is pain caused by tissue damage, such as when the body is subjected to extreme pressure, temperature, or the like. Neuropathic pain arises due to damage to or functional disorders of the nervous system. Arthritic pain and post-operative pain are usually classed as examples of nociceptive pain, while pain associated with disorders such as fibromyalgia and multiple sclerosis is usually considered neuropathic.

Meda’s largest products include two in the pain and inflammation therapy area: Zamadol (for moderate to severe pain) and Soma (for acute painful musculoskeletal conditions).

Meda’s other pain and inflammation products include Axorid (ketoprofen and omeprazole), Onsolis/Breakyl (fentanyl) for treatment of breakthrough pain in patients with cancer, Lederspan (triamcinolone) for treatment of joints in conjunction with rheumatic diseases such as osteoarthritis (arthritis), and Relifex (nabumetone) for treatment of stiff, aching joints in connection with osteoarthritis and rheumatoid arthritis.

KEY PRODUCTS IN PAIN AND INFLAMMATION

PRODUCT NAME	GENERIC NAME	PROFILE
PAIN AND INFLAMMATION		
Axorid®	Ketoprofen/omeprazole	Combination NSAID and proton-pump inhibitor for the treatment of rheumatic disorders. Can prevent serious gastrointestinal side effects caused by NSAID use.
Difflam®	Benzydamine hydrochloride	Product line with local analgesic and anti-inflammatory effect.
Lederspan®	Triamcinolone	Corticosteroid for treatment of joints affected by rheumatologic conditions such as osteoarthritis.
Rantudil®	Acemetacin	Oral NSAID with analgesic effect for the treatment of rheumatologic disease pain and musculoskeletal injury.
Relifex®	Nabumetone	Non-steroidal anti-inflammatory drug (NSAID) for the treatment of stiff and painful joints caused by osteoarthritis and rheumatoid arthritis.
Soma®	Carisoprodol	Muscle relaxant for the treatment of acute pain.
Tilcotil®	Tenoxicam	Oral NSAID for the treatment of pain and inflammation in rheumatologic diseases, such as rheumatoid arthritis and osteoarthritis.
Zamadol®	Tramadol	Centrally acting analgesic for long-term treatment of moderate to severe pain.

CNS

The central nervous system (CNS) is the part of the nervous system that comprises the brain and spinal cord. The brain is the body's most sensitive organ. Since the brain contains all mental functions, disease and injury to the brain lead to implications for physical and mental health. There is a significant medical need that is growing as the population ages. Examples of common CNS disorders include depression, Alzheimer's disease, Parkinson's disease, schizophrenia, and sleep disorders.

Meda's biggest products include one in the CNS therapy area: Mestinon (pyridostigmine bromide), which is used to treat myasthenia gravis (muscular disease).

Meda's other CNS products include Felbatol (Felbamate), an anti-convulsant for treatment of epilepsy; Imovane (zopiclone), a hypnotic drug; Parlodel (bromocriptine mesylate) for treatment of diseases such as Parkinson's; and Tasmar (tolcapone), used in combination with levodopa and carbidopa to treat patients with severe Parkinson's disease. Parkinson's disease is a degenerative neurological disorder caused by lack of the neurotransmitter dopamine. Parkinson's disease is the second most common neurodegenerative disease, after Alzheimer's.

KEY PRODUCTS IN CNS

PRODUCT NAME	GENERIC NAME	PROFILE
CNS		
Aurorix®	Moclobemide	Moclobemide is a so-called MAO-A inhibitor and is a well-known antidepressant prescribed by specialist physicians.
Felbatol®	Felbamate	Anticonvulsant drug for the treatment of epilepsy.
Imovane®	Zopiclone	Hypnotic agent used to treat various forms of insomnia.
Mestinon®	Pyridostigmine bromide	Product for treatment of myasthenia gravis. Myasthenia gravis is a chronic, neuromuscular, autoimmune disease that abnormally fatigues muscles.
Parlodel®	Bromocriptine mesilate	Dopamine agonist and prolactin inhibitor for treatment of Parkinson's disease and endocrinological disorders associated with hyperprolactinaemia.
Tasmar®	Tolcapone	Used with levodopa and carbidopa to treat severe Parkinson's disease.
Thioctacid®	Alpha lipoic acid	Treatment of diabetic neuropathy.

GASTROENTEROLOGY

Gastroenterology is the branch of medicine concerning the digestive system and its disorders. The gastrointestinal tract consists of many organs, and these can be affected by a wide range of illnesses of varying severity—everything from gastritis to cancer.

One group that is affecting growing numbers of patients is inflammatory bowel diseases. The most common of these is ulcerative colitis, a chronic inflammation with periodic flare-ups in the intestinal wall that causes open wounds to form in the colon or rectum. Ulcerative colitis is believed to be an autoimmune disease in which the immune system for some unknown reason attacks cells in the intestinal wall. About 500,000 people suffer from ulcerative colitis in the US alone. In Sweden, between 500 and 1,000 people develop the condition every year. The disease causes substantial suffering for the patient and high costs for society, in both lost working days and health care costs.

Meda has several important products in the gastroenterology therapy area, such as Cortifoam/Colifoam (rectal inflammation) and Proctofoam (relief of anal inflammation and itching).



KEY PRODUCTS IN GASTROENTEROLOGY

PRODUCT NAME	GENERIC NAME	PROFILE
GASTROENTEROLOGY		
Cortifoam/ Colifoam®	Hydrocortisone acetate	Cortisone preparation for topical treatment of distal ulcerative colitis, particularly ulcerative proctitis.
Proctofoam®	Hydrocortisone acetate, pramoxine hydrochloride	Combination product containing hydrocortisone to treat pain, itching and irritation, and pramoxine hydrochloride to treat inflammation in conjunction with anorectal disorders.

OTC

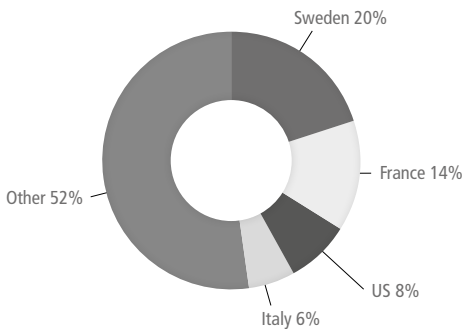
In recent years, Meda has built an extensive operation in over-the-counter drugs, the OTC area. At the end of 2012, the OTC segment comprised about 23% of total sales.

More and more markets offer an increasingly large range of OTC products. They are key complements to prescribed drugs, because they often save patients time and reduce the cost burden on the health care system. Demand is also being driven by the recent growing interest in preventive health care. This varies widely from market to market and depends on how the health care system is constructed.

Sales of the ten largest OTC products in 2012 together amounted to around SEK 1,800 million, which represents just over 14% of Meda's total sales. Meda's ambition is to continue to grow in the OTC area and it has gradually increased its market investments.

The investment in the OTC area that was initiated in 2012 will result in a selection of the OTC products is being launched internationally. The most important product in last year's investment was SB12/CB12.

SALES OF OTC BY MARKET



OTC PRODUCTS WITH INTERNATIONAL FOCUS



BETADINE

Betadine is an iodine-based antiseptic for treatment and prevention of infections in the skin and mucous membranes caused by bacteria, fungi, and viruses. Betadine has been available on the market since the 1960s and is the market leader in several European countries, including France, Italy, and Spain. Betadine can be used for wound healing, diabetic foot care, emergency care, treatment of infections, oral hygiene, gynecological care, and eye surgery.



SB12/CB12

SB12 is an oral hygiene treatment that neutralizes the substances that cause halitosis. Halitosis is a major problem affecting men and women of all ages, and almost always originates from the mouth cavity. Halitosis is caused by bacteria found in the mouth cavity, between the teeth and on the back part of the tongue. When these bacteria break down food particles etc., malodorous sulfur gases are formed, causing bad breath. SB12 neutralizes and prevents the formation of these gases. The effect of SB12 lasts for 12 hours as the product binds to tissues in the mouth cavity.



VÅRTFRI/ENDWARTS

A wart is a growth on the skin caused by the human papilloma virus, HPV. Warts are contagious and can easily be transferred to other people and other parts of the body. VårtFri is an effective external solution for the treatment of warts on the hands, feet, and body. The solution is absorbed directly into the wart and leaves no scars.

OTC PRODUCTS

PRODUCT NAME	GENERIC NAME	PROFILE
Aminess® N	Amino acids	Essential amino acids in a composition designed for patients with kidney failure.
Anti®	Acyclovir	Anti cream is used for the treatment of blisters and ulcers on the lips or face caused by herpes virus infection.
Dentan®	Sodium fluoride	Fluoride mouthwash and chewable tablets for prevention of caries.
Kalcipos®	Calcium carbonate	A prophylactic and treatment for calcium deficiency. Calcium supplement as an adjunct to treatment of osteoporosis.
Laktulos Recip	Lactulose	Treatment of constipation.
MidNite®	Melatonin, lemon balm, lavender, and chamomile	An OTC sleep-aid product.
MittVal®	Vitamins and minerals	A dietary supplement that combines vitamins, minerals, and antioxidants in a single tablet.
Nalox®	Propylene glycol, carbamide, lactic acid	Nalox is used for the treatment of nail fungal infections and psoriasis of the nails.
Sargenor®	Arginine aspartate	Treatment of fatigue (asthenia).
SB12®/CB12®	Zinc acetate, chlorhexidine, fluoride	SB12 is an oral hygiene treatment for halitosis.
Treo®	Acetylsalicylic acid	Relieves pain, reduces fever, and has an anti-inflammatory effect.
TrioBe®	Folic acid	Vitamin B complex.
Vi-Siblin®	Ispaghula husk	Bulk-forming fiber product.
Vårtfri/Endwarts®	Formic acid	External solution for the treatment of warts on the hands, feet, and body.
Zyx®	Benzylamine	Zyx is an anti-inflammatory treatment used to relieve pain locally in the throat.



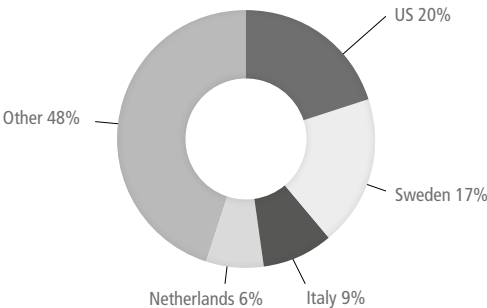
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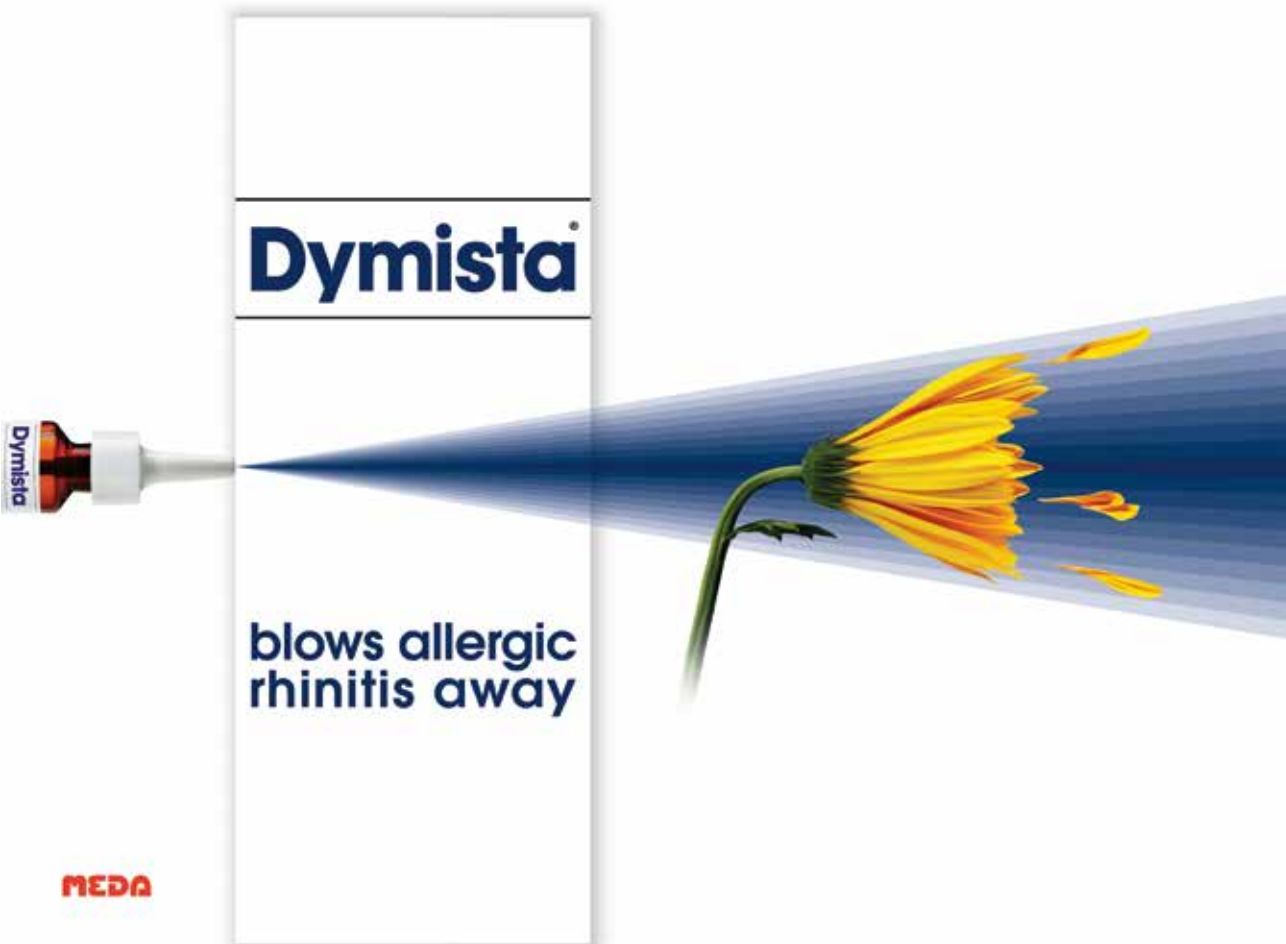
BRANDED GENERICS

Branded Generics constituted 11% of Meda’s total sales in 2012. The product area is interesting and profitable and a good complement to other product areas. Through Branded Generics, Meda can protect its brands and extend the lifecycle of its products.

On certain markets, primarily growth markets, Branded Generics have a large portion of the total pharmaceutical market, partly due to authorities that actively push to lower pharmaceutical costs. Meda has been able to position itself well in these markets as a result of the broad offering in its full product portfolio, including prescription pharmaceuticals, OTC products, and Branded Generics

SALES OF BRANDED GENERICS BY COUNTRY







One of Meda's activities in 2012 at a dermatology conference in Prague.

Drug development

STRONG PIPELINE IN LATE CLINICAL PHASE

Meda's development function has about 220 employees including limited-term employees who work on development, clinical trials, and drug registration.

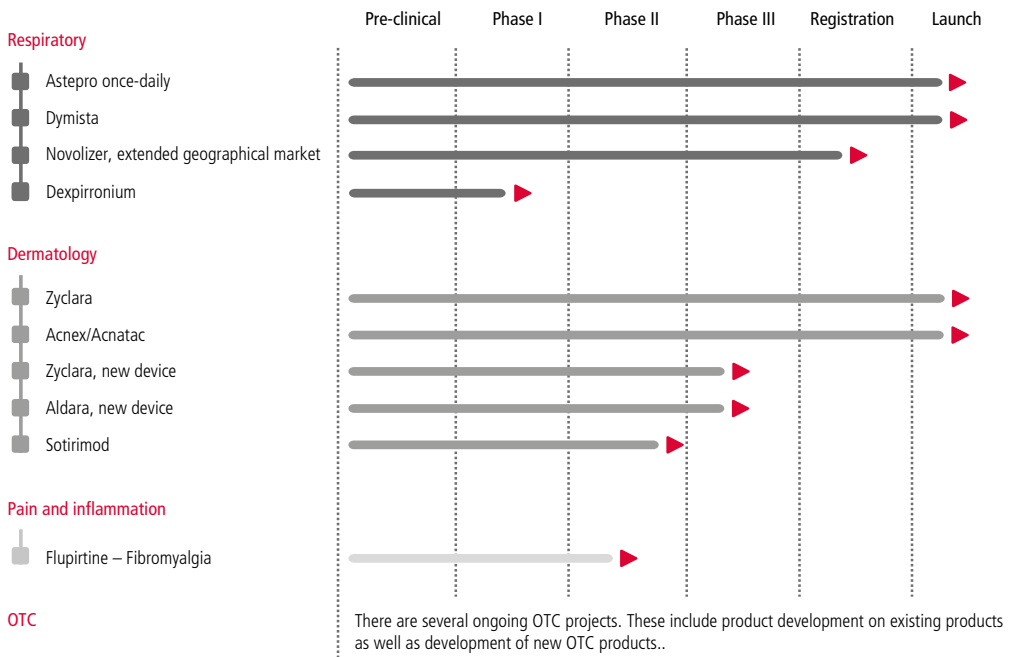
In line with its position as a specialty pharma company, Meda refrains from risky, capital-intensive early research. Instead, resources are focused on development in late clinical and registration phases, with efforts often based on well-known active ingredients in which the characteristics of an existing product are improved, for example through:

- **a new administration method**, such as Astepro once-daily, Zyclara, and Tambocor (controlled release).
- **combination products**, such as Dymista, Xerese, and Acnex/Acnatac.
- **new indications** for existing drugs, such as Aldara and Flupirtine.

Meda invested approximately SEK 143 million* in drug development in 2012.

In recent years, Meda has built a strong pipeline of products in the late clinical phase for its key therapy areas. Meda's most important development projects are presented below.

PIPELINE



* excluding regulatory affairs, pharmacovigilance and quality assurance.

PRODUCTS IN DEVELOPMENT/ LAUNCH PHASE

RESPIRATORY

Meda's active strategy includes new products as well as product life-cycle management, with the aim of maintaining and developing its current strong position in the respiratory area. Consequently, Meda is developing several potential follow-ups based on the active ingredient azelastine, such as Astepro once-daily and Dymista.

ASTEPRO

Astepro contains the active ingredient azelastine and is a nasal spray for treatment of allergic and non-allergic rhinitis. Astepro is a new, improved formulation of Astelin, which is better tolerated and more effective.

Astepro once-daily is the first nasal antihistamine approved as once-daily for patients with seasonal allergies. The launch of Astepro once-daily in the US began in 2009. Registration is underway in other key markets.

DEXPIRRONIUM – A NEW ACTIVE INGREDIENT FOR TREATMENT OF COPD

Dexpirronium is intended for treatment of chronic obstructive pulmonary disease (COPD), a common disease that inhibits respiratory tract air flow. The active ingredient dexpirronium is an anticholinergic agent that dilates the airways. Meda has a portfolio of patents and patent applications that cover use of dexpirronium for COPD. The project is in phase I.

DYMISTA

Meda has developed Dymista, a novel formulation of azelastine and fluticasone for the treatment of allergic rhinitis. Dymista's efficacy and safety were documented in several studies with more than 4,600 patients, including a long-term safety study of more than 600 patients. Dymista has consistently displayed faster and more complete symptom relief than standard treatment in the US (fluticasone propionate).

Dymista was launched in the US in autumn 2012 and in Europe in 2013. Registration is underway in other key markets.

NOVOLIZERSYSTEMET

Meda is working to gradually expand the market territory of the Novolizer system by registering its various active ingredients on new markets. Meda considers the US to be a particularly important future market.

DERMATOLOGY

In the dermatology therapy area, Meda is developing new formulations for Aldara, a product based on the active ingredient imiquimod. Meda is also developing a new product based on the active ingredient sotirimod, a follow-up to imiquimod. Furthermore, new administration methods are being developed for both Aldara and Zyclara.

ACNEX/ACNATAC

The combination product Acnex/Acnatac for the treatment of moderate to severe acne is in the launch phase. Clindamycin and tretinoin in

combination have shown greater efficacy for the treatment of inflammatory and non-inflammatory acne compared with each of the components as monotherapy.

ALDARA/ZYCLARA NEW DEVICE

Meda now has two products, Aldara and Zyclara, based on the active substance imiquimod, for treating actinic keratosis. Meda is working on the development of a new pump device for both products in order to make it easier for patients to use them. The technology is patent-protected and there are products in both Australia and the US that are approved with this device.

SOTIRIMOD

Sotirimod is intended for treatment of conditions such as actinic keratosis and is a follow-up to Aldara (imiquimod). Sotirimod and imiquimod are immunomodulating agents that activate the body's own immune defenses through the skin and help counteract skin changes such as actinic keratosis. Sotirimod is a proprietary substance in a late phase of clinical development. Sotirimod is more potent than imiquimod, and human trials have shown that it is more effective on actinic keratosis than Aldara.

ZYCLARA

Meda has a portfolio of patents that include new formulations and new uses of imiquimod. In 2010, Meda also acquired exclusive rights in Europe to a new formulation of Aldara: a

3.75% imiquimod topical cream indicated for the treatment of actinic keratosis (AK). This product can be used on a significantly larger treatment area; it is also once-daily and more tolerable. Zyclara was approved in Europe in 2012 and is in launch phase.

PAIN AND INFLAMMATION

Meda is working actively to develop new products for indications in the pain and inflammation therapy area.

FLUPIRTINE – FOR THE TREATMENT OF FIBROMYALGIA

Flupirtine belongs to a separate class of pain-relieving drugs with unique mechanisms of action. Besides analgesic activity, Flupirtine also has neuroprotective properties. In 2010, Meda acquired exclusive rights for the use of Flupirtine to treat fibromyalgia.

Fibromyalgia is a chronic, debilitating disease characterized by widespread pain and stiffness accompanied by fatigue, insomnia, and irritability. The condition affects an estimated 2–4% of the population worldwide, including 4 million patients in the US. Flupirtine is in phase II for the patented indication fibromyalgia.

Manufacture and product supply

To optimize the Group's product supply, Meda combines proprietary production with contract manufacturing. In 2012, proprietary production in four production units accounted for almost 40% of the volume.

The distribution of product supply offers production flexibility and access to new technology from a well established network of contract manufacturers, primarily in Europe.

The combined result is assured quality, high precision of delivery and good cost efficiency.

Although contract manufacturing has accounted for a gradually increasing proportion of goods supply in recent years, proprietary production remains a priority, particularly to guarantee a continued high level of technical know-how within the Group.

The work of introducing and developing lean manufacturing within all Meda's production units has continued according to plan during 2012. The purpose is to streamline production and improve yields by achieving a more even production flow.

Proprietary production takes place in four units:

MERIGNAC, FRANCE

In Merignac, France, there are approximately 200 employees. The unit specializes primarily in the production of various fluids and solutions. Betadine is the main product made.

COLOGNE, GERMANY

In Cologne, Germany, there are approximately 300 employees. The unit has capacity to manufacture many pharmaceutical formulations, both liquids and solids. The unit's quality system meets European standards, as well as the strict requirements of Japanese and US drug authorities. Products made at the Cologne unit include the Novolizer asthma inhaler.

DECATUR, ILLINOIS, USA

In Decatur, Illinois, USA, there are about 100 employees. The unit manufactures solid and liquid preparations and nasal sprays. This unit is approved by the FDA. Products made in Decatur include Soma, Astepro, and Geritol for the US market.

LAKEWOOD, NEW JERSEY, USA

There are approximately 70 employees in Lakewood, New Jersey, USA. The unit manufactures the MUSE product to meet global demand. The quality assurance system complies with FDA and European requirements.

Meda's Sustainability Report 2012

Meda has worked actively with accountability and sustainability issues for several years. As the company grows and expands geographically, it becomes increasingly important to ensure that Meda pursues its operations in a responsible manner. The purpose of Meda's CSR efforts is to support the company's overarching business objective by optimizing opportunities and identifying and managing risks in areas where sustainability issues have an impact on the business.

Meda coordinates all accountability and sustainability issues under its corporate social responsibility (CSR) policy and has identified seven areas within which CSR is to be implemented: ethics, corporate governance, employees, patients, the environment, product supply, and community. These areas were identified based on an analysis of how Meda affects its surroundings, both within and outside of the company, and how its surroundings affect Meda.

Consequently, the scope of Meda's CSR initiatives stretches beyond its pure core business and involves also ensuring that:

- Issues concerning business ethics are respected in commercial agreements.
- There are clear guidelines for how the business is to be run.
- The company's environmental impact is reduced wherever possible.
- The company acts responsibly in relation to its stakeholders—patients, other customers, business partners, regulatory authorities, employees, suppliers, and owners.

In practice, the sustainability initiatives must build relationships with key stakeholders and address issues that affect the company's impact on society and the environment, while contributing to sustainable development. These relationships are based on respect, responsibility, and professionalism and promote long-term value growth.

In 2012, Meda focused on three areas: con-

tinued development of the company's environmental management system to achieve ISO 14001 certification of the units in Bad Homburg, Germany, and Lakewood, USA, the development of Meda's ethical guidelines (Business Conduct Guidelines), and continued work on the Supplier Code of Conduct. The objectives have been fulfilled and Meda has shown good results in its CSR targets for 2012. In 2012, Meda joined the UN Global Compact. This is a commitment that involves explicit support for the ten principles that make up the Global Compact. Meda's involvement will continue in 2013, and will have an impact on several areas of our sustainability work.

The number of women in leadership positions, such as country managers, is increasing. The long-term aim is to make best use of our skills.

Meda's CSR work will develop alongside the company's geographical expansion. The company's working models shall function in all the countries in which Meda operates. We also need to adapt to external expectations, requirements, and legislation that is relevant to Meda's CSR work.

Continued efforts in relation to internal control and anti-corruption, work with suppliers, and adaptation to comply with the principles of the Global Compact will remain priority areas for Meda.

Inherent to Meda's business concept of offering cost-effective and medically well-motivated products is the desire to improve individuals' quality of life. More broadly, this extends to the community at large. As such, CSR efforts will continue to be a priority at Meda. Meda's ambition is to be recognized not only as a commercial success but also as a reliable, responsible, and ethical company.

Anders Lönner
Group President and CEO

ABOUT MEDA'S SUSTAINABILITY REPORT 2012

Meda is providing a separate Sustainability Report for 2012 in addition to the sustainability information provided in the 2012 Annual Report. The separate Sustainability Report makes up Meda's Communication on Progress Report for the United Nations Global Compact.

The sustainability report refers to the 2012 fiscal year. Meda has chosen to apply the GRI voluntary guidelines for sustainability reporting, GRI G3.0, at level C+. Meda deems that the information provided in the annual report and sustainability report for 2012 fulfills the GRI information requirements for Application Level C+. Information in the sustainability report was reviewed by a third party that confirms Meda's statement.

Meda's sustainability report comprises the entire Group if not otherwise stated. All Meda units are included in the reported information. The report provides a collected, clear picture of Meda's social, economic and environmental impact and results.

Meda's complete GRI index for 2012 is presented in the separate sustainability report as well as the auditor's statement of assurance.

Meda's complete sustainability report for 2012 is available at Meda's website www.meda.se/csr/

THE YEAR IN BRIEF

CSR work is based on continuous improvement. Consequently, priority areas during the year have remained the same as previously—environmental management work, supplier assessments, and Meda's Business Conduct Guidelines.

- CSR efforts in relation to suppliers have expanded and gained significance. A risk analysis of Meda's supplier base has been conducted within the framework of the Supplier Code of Conduct.
- The environmental management system was developed through ISO 14001 certification

of the units in Bad Homburg and Lakewood. This means that all the units in the environmental management system are also ISO 14001 certified.

- The Business Conduct Guidelines were developed via the implementation of a Whistleblower Policy, which enables employees to anonymously report suspected deviations from Meda's code of conduct. Work has also begun on adapting to new anti-corruption legislation, including the UK Bribery Act.
- During the first quarter of 2012 Meda conducted an active stakeholder dialogue with a selection of institutional owners and the Swedish Medical Products Agency. Additional stakeholder dialogues have taken place during the year.
- In May 2012, Meda joined the UN Global Compact. This means that the company's CSR work will further expand over the coming years.

Meda's 2012 Sustainability Report makes up the company's Communication of Progress, an obligatory reporting process for companies connected to the Global Compact.

FOLLOW-UP OF 2012 CSR OBJECTIVES

Meda has had Group-wide objectives for its CSR work in place since 2010. The results in relation to the company's 2012 objectives are as follows:

- Meda will improve its efforts with its Supplier Code of Conduct to identify and manage risks at suppliers. By the end of 2012, over 95% of Meda's purchasing volume resulted from suppliers that accepted Meda's Supplier Code of Conduct. A risk analysis of Meda's supplier base was conducted in autumn 2012. The results showed that in general, the level of risk is low, but that Meda needs to develop the model for following up compliance with the Supplier Code of Conduct among suppliers.
- Meda will develop its environmental management system so that the units in Bad

Homburg and Lakewood become ISO 14001 certified. The environmental management system was certified in March for Bad Homburg and in May for Lakewood. This means that all production units, development laboratories and the two largest offices are certified in accordance with ISO 14001.

- Meda's environmental impact will decrease. The overarching measurement figure is the amount of CO₂ emissions per employee. Meda's carbon dioxide emissions fell by 7% in 2012, calculated as emissions per employee. Meda is focusing its efforts on energy consumption, primarily within production.
- Internal control and the Business Conduct Guidelines will be further developed through continued follow-up of compliance and the implementation of a Whistleblower Policy for internal reporting of any infringements. The program for internal control was carried out according to plan. A Whistleblower Policy was implemented in May 2012.

Overall, it can be concluded that Meda's Group-wide CSR objectives for 2012 were fulfilled.

MEDA AND THE OUTSIDE WORLD

THE OUTSIDE WORLD AND MOTIVATORS

Despite considerable advances within health care, there is still a great deal of need. The global population is growing and people are on the whole living longer. New and improved treatment forms are needed and it is clear that the pharmaceutical industry has an important role to play in contributing towards improving health everywhere.

At the same time, providing effective treatment alone is not enough. The outside world is placing increasingly high demands in relation to good conduct and responsible business methods, that is, the way in which pharmaceutical companies operate. This applies in particular to companies' responsibility toward patients and society as a whole.

The pharmaceutical industry has long been

regulated via legislation, but more recently requirements for ethical guidelines and self-regulation have also arisen. As a result there are now guidelines regarding such areas as the industry's alliances with the health care system and special interest groups, as well as good marketing practices.

Costs associated with, and therefore access to drugs has become a priority issue. This is partly due to the fact that drugs are largely financed by public funds. Despite intensive efforts to develop effective drugs at prices that make them available to many, there are still people who are denied the right treatment due to cost, primarily in developing countries.

The pharmaceutical industry has developed to the stage where it now has both production and sales in regions that are generally associated with higher ethical and commercial risks. As far as Meda is concerned, the riskier regions include Eastern Europe, South America, and South-East Asia. Having a presence in these regions requires companies to be aware of, and capable of, handling the prevailing conditions. Companies must act based on sound business principles and have efficient operations that can combat unethical business methods and corruption.

CSR STRATEGY

The basis of Meda's operations and CSR strategy is the conviction that a high ethical standard, responsibility, and good relationships with the rest of the world bring about long-term gains. This approach shall permeate all strategies, all decisions, and all operations.

It is the responsibility of every manager to ensure that the relevant CSR guidelines are implemented and observed. CSR and good conduct are issues that concern all Meda employees.

Meda is gradually developing its CSR work within seven priority areas presented below. Dialogues with stakeholders help Meda establish

a strategic direction and implement improvements. CSR objectives are defined and monitored regularly. Overall management is conducted at the Group level, with direct feedback to the CEO, while local units are responsible for organization and implementation.

CLOSE RELATIONSHIP WITH STAKEHOLDERS

Meda's key stakeholders include:

- Patients.
- Health care providers.
- Suppliers.
- Employees.
- Public authorities and agencies.
- Owners/investors.
- Analysts.

Contact with these stakeholder groups is essential if Meda is to continue to be a relevant and significant player. Dialogues with stakeholders are conducted both informally and formally. Meda carried out in-depth interviews during the first quarter of 2012 with selected owner representatives and the Swedish Medical Products Agency.

The preferences of our stakeholders have a strong bearing on Meda's operations and development. Prevailing requirements and expectations have impacted Meda's definition of the company's priority CSR issues and CSR strategy.

GENERATED AND DISTRIBUTED FINANCIAL VALUE

	2012	2011
Revenue*	13,098	12,912
Operating expenses	-7,250	-6,461
Salaries and employee benefits	-1,806	-1,712
Payments to providers of funds	-622	-696
Dividend	-680	-604
Payments to governments	-328	-692
Remaining economic value	2,412	2,747

*) Net sales plus financial income (excluding exchange gains) as well as recognized gains for the sale of non-current assets.

PRIORITY AREAS

The priority areas within responsible entrepreneurship are based on Meda's impact on the outside world and stakeholders' requirements

and expectations. These priorities indicate the direction of Meda's CSR strategy and initiatives.

Patient safety: Meda's most important task in relation to patients and customers is to provide effective and safe medication. Patient safety is therefore Meda's highest priority. The area is subject to strict regulation, both from authorities and from Meda. Find out more about patient safety on page 45.

Product supply: Good relationships with suppliers and other business partners are important for Meda to be able to fulfill its mission. This involves setting up and monitoring relevant requirements and contributing towards suppliers' development. The work is based on Meda's Supplier Code of Conduct. Find out more about supplier relationships on page 46.

Employees: The commitment and skill of our employees is key to the company's relationships with its customers and other stakeholders, and therefore its success. Meda has developed processes for employee relations, including procedures for working environment and safety. Find out more about Meda's employees on page 47.

Environment: Long-term success requires Meda to make use of natural resources in a sustainable way and continually reduce the company's environmental impact. Find out more about Meda's environmental work on page 50.

Ethical conduct: A high ethical standard within all aspects of the business is essential if Meda is to be able to add value for its stakeholders and boost global confidence in the company. Meda's Business Conduct Guidelines set out the company's position and commitments. Find out more about business ethics on page 52.

Corporate governance: Sound corporate governance means that companies are run based on the interests of the owners. Effective mechanisms for governance and control affect global confidence in the company, and thus its scope for action. Meda applies the Swedish Code of Corporate Governance. Find out more about corporate governance on page 53.

Community involvement: Meda takes its social responsibility seriously. This includes maintaining good relationships with the communities in which the company operates. Meda prioritizes initiatives that promote people's health and well-being in the long term. Find out more about social investments on page 54.

RISK ANALYSIS

The main purpose of Meda's CSR initiatives is to improve the company's business opportunities. At the same time, because of the nature of CSR issues, initiatives are also aimed at avoiding events that could negatively impact Meda's operations. Thus, risk management is also an important element of CSR efforts.

The primary risk in the CSR field is that some type of incident could result in serious ramifications for shareholders, regulatory authorities, medical personnel, patients, employees, or suppliers. The specifics of such events may vary depending on the stakeholder group. Other major risks include events that could negatively impact the environment, poor relationships with suppliers and partners, poor communication, and inability to take action if adverse events occur. Such events could have a negative impact on Meda's reputation, growth opportunities, and day-to-day business practices.

To reduce these overall and specific risks, Meda is establishing and developing systematic control and improvement work that includes contingency plans in the event of CSR-related incidents. A detailed risk analysis has been conducted in relation to CSR issues and is continu-

ally updated. The analysis shows that Meda's risk profile is generally low, and the systematic work that exists covers all relevant parts. Where specific risks are identified, the following measures are taken:

- Risk for employee violations of the Business Conduct Guidelines and flaws during implementation in new units are managed by implemented procedures for follow-up and control, specifically focusing on new countries.
- Supply disruptions with consequences for customers/patients due to production issues are to be addressed by working with clear objectives and improved delivery performance in the Supply Chain function.
- An accident with consequences for people or the environment in any of Meda's production units or with external contract manufacturers are handled by risk and contingency plans for workplace health and safety as well as environmental management of Meda's own facilities and through follow-up of the Supplier Code of Conduct with external suppliers.

PATIENT SAFETY

Meda's mission is to provide effective and safe medication. The health and safety of patients is always our top priority.

CLINICAL TRIALS

Meda does not focus on early research but instead on development in the late clinical phase or registration phase. This means that Meda's products have already been tested on people several times. In cases requiring clinical trials, Meda engages specialized research companies. The services are procured according to Meda's internal procedures for clinical trials. The procedures are based on the EU 2001/20EC directive and Guidelines for Good Clinical Practice (GCP), an ethical and scientific quality standard with origins in the World Medical Association's Declaration of Helsinki.

DRUG REGISTRATION

All Meda's marketing companies have local registration experts. They deal with the registration of new and existing products and monitor and develop products in accordance with the relevant legislation, public authority requirements, and guidelines. Meda also cooperates with local registration and pharmaceutical authorities—particularly for production of user instructions and prescription information—to ensure that medications are used correctly and for the right purpose.

PHARMACOVIGILANCE

All drug use involves risk of side effects. Side effects can arise in various forms and degrees. Simultaneous use of other drugs or consuming food or drink can also alter a medication's effect. Pharmaceutical production, testing, and manufacturing must be extremely carefully regulated to achieve the highest possible patient safety.

Meda works to achieve safe use of medications with its own pharmacovigilance departments in Sweden, Germany, and the US. The task is to detect, investigate, and prevent any adverse effects from the use of Meda's pharmaceuticals. When required, changes may be made to basic information about the drug, or restrictions related to the drug's use may be added. All potential side effects are reported to the responsible drug administrations of each country.

COMPLAINTS

Meda has an established system for handling medical and technical complaints. All complaints are investigated and corrective measures taken where required. Meda registers all complaints, allowing the company to track recurrent complaints of the same type and monitor any trends.

PRODUCT SUPPLY

Meda has both proprietary and contracted production units. This arrangement gives the company access to new technology and flexibility, while achieving good cost control. Meda's proprietary units are in France, Germany, and the US, and they account for around 40% of the company's total product supply. Meda works with continuous improvements in both efficiency and quality. The same requirements in relation to delivery reliability and other parameters apply to both Meda's proprietary production units and contract manufacturers delivering products to Meda.

REQUIREMENTS AND MONITORING

Meda has strict requirements in place both internally and with regard to external suppliers and other business partners, so that the company can fulfill its commitments to customers and other stakeholders. These requirements relate to safety, quality, price, function, and delivery reliability.

Meda's internal requirements concerning ethics, working environment and employment terms, environmental impact, animal welfare, and management systems are detailed in the company's Business Conduct Guidelines. Equivalent requirements for suppliers are set out in the Supplier Code of Conduct. Work on communicating the Supplier Code of Conduct to suppliers was initiated in 2011, and by the end of 2012 over 95% of Meda's purchases were made from suppliers that accepted the ethical guidelines.

Meda performs regular audits of contract manufacturers to check compliance with the requirements associated with the pharmaceutical industry's quality system, Good Manufacturing Practice (GMP). These audits are also governed by requirements from public authorities. Compliance with the Supplier Code of Conduct is monitored in connection with the quality audits. When required, Meda has conducted

specific audits with a focus on ethics and the environment. Such an audit has been carried out at a Chinese supplier 2011.

RISKS AND PRIORITIES

In general, Meda has received extremely positive responses when communicating the Supplier Code of Conduct. A CSR risk analysis in relation to suppliers has been carried out to evaluate the responses. All major suppliers have been covered. The results of this analysis indicate that our risk exposure concerning CSR aspects is low since the overwhelming majority of suppliers operate in countries where the implementation of legislation and regulations is well developed: Europe and North America. Meda only has a few suppliers in countries where CSR risks are deemed high, for example China and India. However, Meda has good insight into these suppliers.

Another conclusion from the risk analysis is that Meda should aim to improve the system for regular monitoring of suppliers and develop a standardized model for CSR audits where risk analyses indicate such a need. This will therefore be a priority objective for our work with suppliers in 2013.

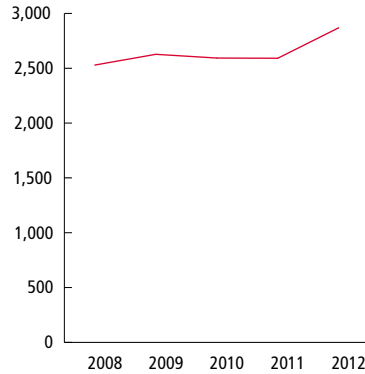
EMPLOYEES

Meda has experienced considerable growth, chiefly through acquisitions. Since 2005, the number of employees, including limited-term employees, has increased from 150, to just over 3,100. The objective is to preserve the strengths of the small company, with a non-hierarchical and efficient organization and short decision-making paths. Combining these strengths with the resources of the large company makes Meda's culture a valuable asset.

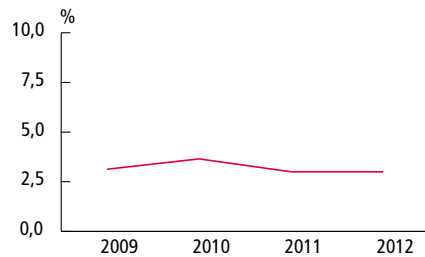
MEDA'S WORKFORCE

At the end of the year, the Group had 2,900 employees (2,623), of which 55% are women and 45% are men. The majority work within

AVERAGE NO. OF EMPLOYEES



SICK LEAVE



Sick leave (%)	2009	2010	2011	2012
Woman	3.6	4.5	3.7	3.6
Men	2.5	2.6	2.6	2.4
Total	3.1	3.6	3.3	3.1
By age				
Age 50–	4.4	4.1	3.9	3.9
Age 30–49	2.7	3.6	3.0	2.9
Age 0–29	2.7	3.4	2.9	2.7
	3.1	3.6	3.3	3.1
Continuous sick leave > 60 days	0.9	1.2	0.9	0.9

sales and marketing. In addition, 222 staff are limited-term employees.

As the Group grows, we strive to achieve a balance between enriching the organization by bringing in new expertise, and taking advantage of existing experience and procedures. Since Meda primarily achieves growth through acquisitions, staff turnover in recent years has exceeded the industry average. In 2012, staff turnover within Meda was 15% (15). Employees who are affected by organizational changes are offered support, where relevant, in compliance with local legislation and practices.

HEALTH AND SAFETY

Meda shall be a safe, healthy, pleasant place to work. In order to ensure compliance with the relevant occupational health and safety legislation, Meda has detailed staff and workplace handbooks for the larger operating countries, such as Sweden, Germany, France, and the US. All employees are entitled to participate in labor unions, and where such organizations exist, Meda works actively with them in relation to health and safety issues.

Meda's factories and laboratories are exposed to the biggest health and safety risks within the Group. These units pursue focused work to ensure a safe and secure working environment, where both accidents and incidents

are followed up and measures taken to prevent a recurrence.

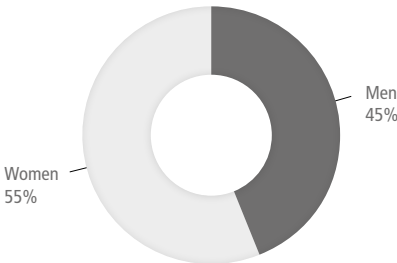
During the year a total of 37 (29) work-related accidents and illnesses were reported. The accidents related mainly to mild pinching or slipping injuries in employees working in manufacturing. The accident frequency is deemed to be low. Meda follows up the number of accidents so that the company can take action should the frequency increase, but no quantitative goals are currently set at Group level. The reporting is based on what is classified as an accident by local law.

Sick leave was 3.1% (3.3). Absence of 60 days or more amounted to 0.9% (0.9). Sick leave is relatively equally split between men and women and among various age groups. Monitoring of sick leave and any measures taken are handled at the local level.

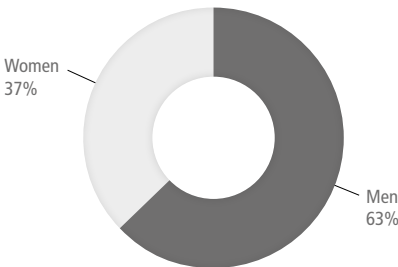
PROFESSIONAL DEVELOPMENT, EQUALITY, AND DIVERSITY

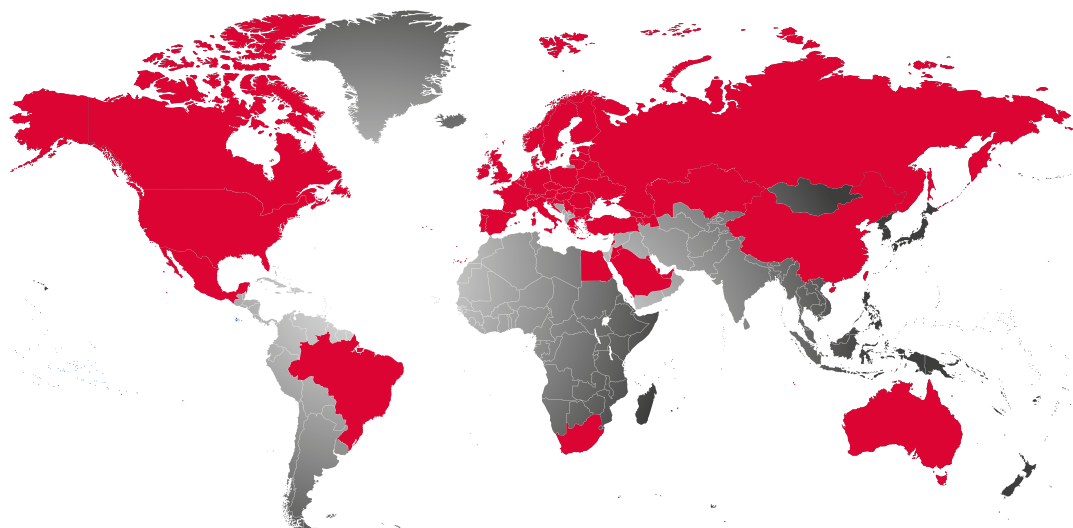
The commitment and skill of our employees is key to Meda's development. Professional development takes place according to the needs of the individual and his/her role. A process of structured professional development is conducted, particularly concerning product training upon new acquisitions. Ensuring that employees' rights and opportunities are safeguarded is

GENDER DISTRIBUTION, 2012



GENDER DISTRIBUTION, MANAGEMENT, 2012





an important component in guaranteeing that Meda has, and has access to, the expertise it requires. This applies to both existing and potential employees.

Meda's Business Conduct Guidelines clearly state that all employees and applicants are to be treated equally. Discrimination based on, for example, gender, gender identity or gender expression, ethnicity, religion or other belief system, disability, sexual orientation, or age is strictly prohibited within Meda. No cases of discrimination were reported in 2012.

Of Meda's 2,900 employees, 55% (56) are women and 45% (44) are men. In management positions the distribution is 37% women (36) and 63% men (64). In the current situation female managers are responsible for some of Meda's key markets such as the US, Turkey and Russia. Meda also has female managers in Belgium and Denmark. Meda seeks to increase the percentage of female managers via clearly defined skill set requirements for each position. The results are actively followed up.

ENVIRONMENT

Meda mainly impacts on the environment through

- Energy consumption, emissions and waste from production
- Energy consumption at offices and in other premises
- Emissions from transportation and travel

Meda endeavors to pursue operations in a manner that is sustainable in the long term, particularly from an environmental perspective. The company observes all relevant environmental legislation and its environmental management system is certified in accordance with ISO 14001 to reduce its environmental impact to a greater extent than that required by law. Particular attention has been devoted to energy consumption, hazardous waste, and consumption of materials.

MEDA'S ENVIRONMENTAL POLICY IN BRIEF

Meda's environmental policy states that the company will:

- Comply with the requirements of environmental legislation and ordinances
- Consider business opportunities and risks from an environmental perspective
- Reduce energy consumption
- Consider the environment when purchasing goods and services
- Ensure secure, responsible chemical management
- Minimize water consumption and generation of waste
- Work in accordance with ISO 14001
- Raise environmental awareness among managers and employees

PRODUCTION

Meda's environmental efforts are chiefly focused on the production units in Germany, France, and the US. These production units carry out formulation and packaging of pharmaceuticals only. This means that relatively small amounts of waste are produced. Most of the waste consists of process water, mainly from cleaning the equipment. Very little hazardous waste is produced. Waste from production and laboratory activities is handled in accordance with the applicable legislation and established procedures.

Meda observes the relevant public authority requirements in relation to analyzing traces of drugs in water environments that derive from drug use. The company also follows the latest research findings. The dominant view of experts in this area is that the amounts of drug residues that can be measured in the environment are not deemed to be hazardous to people or to cause damage to plants or animals.

The production units hold all the environmental permits that are required according to the legislation of each country, as well as in line with EU regulations. This has been actively fol-

lowed up at all units and no deviations were identified in 2012.

Meda's environmental management system is certified in accordance with ISO 14001. The Group's units have their own goals in relation to energy consumption and waste generation, and where relevant, for effluent and emission levels. The goals are regularly followed up and revised. All production units, the development laboratory in Radebeul, and the offices in Solna and Bad Homburg have been certified in accordance with ISO 14001 since 2012. Environmental audits are carried out by a third party at all affected units/factories.

WATER AND WASTE

Starting from 2012, Meda is compiling information on water consumption and waste generation for all its own production and development units. In 2012, the results in production and development were as follows:

Water and waste	Consumption
Water	109,260 m ³
Of which process waste	51,051 m ³
Waste	1,234 tons
Of which hazardous waste	101 tons

These figures will form the basis of streamlining and improvement work over the coming years, with the purpose of reducing water consumption and the amount of waste produced.

Meda's process waste derives mainly from cleaning the equipment. Amounts of drug residues are small and all Meda's factories have permits within the framework of current operations to release process effluent with normal effluent for processing in treatment plants.

Since Meda only has factories for final formulation and packaging, there are no chemical synthesis operations, emissions of solvents to air are minimal. All units satisfy their respective authorizations with healthy margins.

CO2 EMISSIONS AS REPORTED TO CDP (TON)

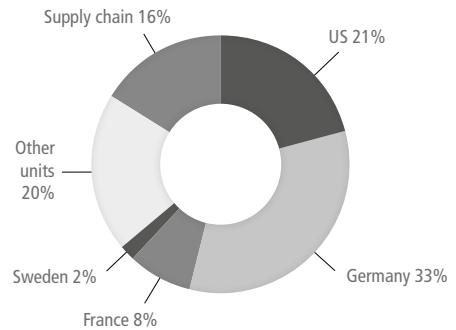
	2011	2012
Scope 1:		
Gas and oil	5,416	5,935
Company cars	6,621	7,601
Scope 2:		
Electricity	9,261	8,335
Scope 3:		
Business trips	2,957	3,270
Commuting	2,770	2,632
Supply chain	4,996	5,146
Total	32,021	32,919
Per employee	12.2	11.4

Scope 1: Direct emissions from CO₂ sources owned or controlled by the reporting organization.

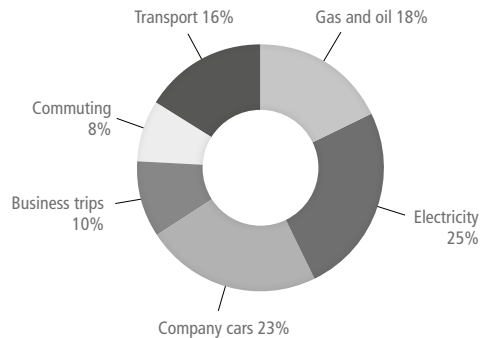
Scope 2: Indirect emissions caused by the organization's consumption of energy.

Scope 3: Other indirect emissions that occur as a result of the organization's activities.

GREENHOUSE GAS EMISSIONS, GEOGRAPHIC DISTRIBUTION WITHIN THE GROUP



GREENHOUSE GAS EMISSIONS BY CATEGORY



ENERGY AND CARBON DIOXIDE EMISSIONS

Reducing energy consumption and emissions of greenhouse gases is Meda's most important environmental goal.

In 2012, Meda's direct and indirect carbon dioxide emissions were 32,919 (32,021) tons. This corresponds to 11.4 (12.2) tons per employee and 2.53 (2.49) tons per SEK thousands revenue. The emission figures are based on actual data from all production and development units, as well as other businesses in Sweden, the US, France, and Germany. Carbon dioxide emissions for the whole of Meda were then extrapolated from this data and carbon dioxide emissions from transports have been calculated in a simulation model. The calculation model was improved in 2012. The data from 2011 was updated according to the improved calculation model to allow comparison.

Direct emissions derive from heating and the use of company cars. Indirect emissions are mainly caused by electricity consumption.

Energy use	2012	2011	2010
Natural gas, m³	3,070,505	2,806,026	3,474,937
Company cars, driving distance, km	40,004,940	34,849,042	43,144,653
Electricity, MWh	22,406	24,160	24,710

The increase in carbon dioxide emissions in 2012 is linked to the growing number of employees, along with higher energy consumption for heating purposes, the latter being primarily weather dependent. In the long term, the most important measures to reduce carbon dioxide emissions are linked to energy consumption in the factories. Measures to reduce electricity consumption have been successfully implemented. Meda is also focusing on streamlining goods transportation via improved coordination, and identifying alternatives to business trips, for example by increased use of video and telephone conferencing.

Meda reports its carbon dioxide emissions via participation in the Carbon Disclosure Pro-

ject (CDP). CDP participation supports the company's continued environmental and climate initiatives and also provides feedback on the reports and measures implemented. Meda's CDP report for 2012 was awarded 73 on a scale of 0-100 for reporting, and a level C on a scale of A-E for results. This is slightly better than the industry average.

Meda offsets its Swedish carbon footprint by investing in certified Clean Development Mechanism (CDM) projects. The projects follow the intentions of the Kyoto Protocol and are monitored by the UN. They also meet stringent requirements such as measurable emission reductions and positive social benefits.

The 2012 objective, to reduce Meda's carbon emissions per employee, was satisfied. The emissions level fell from 12.2 to 11.4 tons per employee, a 7% reduction.

ETHICAL CONDUCT

Meda's operations affect people's health and lives. This means that in addition to observing laws and regulations, operations must also be pursued in a responsible and ethical manner.

This area is governed by Meda's ethical guidelines: the Business Conduct Guidelines.

The guidelines cover business ethics and the company's relationships with employees, customers, suppliers, public authorities, competitors, and other players. Meda's guidelines expressly prohibit any influence that aims to create inappropriate advantages for Meda and/or for individual employees. Correspondingly, attempts to influence political parties or candidates through donations are not permitted.

Meda's companies are allowed to engage in social issues that are relevant to Meda's business. The companies work locally with various issues depending on what is prioritized on a particular market. The activities that local companies get involved in are determined by Meda's internal guidelines for ethical conduct in accordance with the Business Conduct Guidelines.

EXTERNAL STAKEHOLDERS AND PARTNERSHIPS

Meda takes responsibility for operating within the framework of competition legislation in its global business. The company's Business Conduct Guidelines supplement this type of legislation and prohibit partnerships or agreements with competitors on price, terms, or similar.

All the information submitted by Meda shall be correct and issued in such a way that the intended recipient can understand and form an accurate interpretation. Meda operates in a strictly regulated market. All products and services are subject to regulation and requirements with regard to content, production, use, how the product will be used, and the effects of use. In some cases information about how the product will be discarded must also exist.

Meda always observes the national regulations in relation to how to go about communicating information to patients and other interest groups. The company also complies with the guidelines that are linked to good marketing practices, which can vary from country to country. Meda's Business Conduct Guidelines provide details of Meda's zero tolerance on corruption, along with rules on how employees should handle situations where conflicts of interest may arise.

See under corporate governance below for further information.

ANIMAL STUDIES

The pharmaceutical industry has made considerable progress with regard to alternatives to animal studies when developing drugs. Despite this, animal studies are sometimes unavoidable, or even obligatory.

Meda's development is essentially concentrated to clinical studies in a late phase. Consequently, the drug has been tested on people several times and the company's need for animal studies is therefore extremely limited. In 2012, Meda only conducted one animal study, a tolerability study of a dermatological product,

which was carried out on rabbits.

Meda complies with relevant guidelines and regulations in relation to animal studies, such as those detailed in "Good Laboratory Practice" per ISO 15189 and the OECD Principles of Good Laboratory Practice.

CORPORATE GOVERNANCE

Corporate governance is an integral part of Meda's CSR work. As a limited company quoted on the Nordic Large Cap list of the NASDAQ OMX Stockholm exchange, Meda complies with the Swedish Code of Corporate Governance. Meda has drawn up several governing documents, including the Business Conduct Guidelines and Internal Control Standards, which all companies within Meda must observe. Auditing and monitoring occur through external resources and self-assessment. Self-assessment includes follow-up of compliance by local units with Meda's Business Conduct Guidelines and Internal Control Standards, as well as other rules and guidelines.

The company carries out Business Continuity Planning—risk assessments that focus on product supply and external suppliers.

In 2012, Meda's system for corporate governance and internal control developed in the following ways:

- Updating and implementing governing documents such as the Meda Group Accounting and Reporting Manual.
- A Whistleblower Policy has been implemented.
- Continued strengthening of the IT environment.
- Improved follow-up of compliance with internal regulations and guidelines.
- Work has also begun on adapting to new anti-corruption legislation in Europe, including the UK Bribery Act. Focused training for affected personnel has been conducted at Meda's British subsidiary.
- Continued monitoring and follow up of new units.

During the year, there were no reports from subsidiaries of deviations from the Business Conduct Guidelines.

As part of its 2013 CSR objectives, Meda will continue to develop the model for how to follow up compliance with the Business Conduct Guidelines. There will be a greater focus on implementation in the subsidiaries and local follow up. Meda also monitors continuing developments relating to anti-corruption legislation and will gradually strengthen organization and expertise to ensure that the relevant adaptations and controls take place.

Find out more in the corporate governance report on page 62.

UNITED NATIONS GLOBAL COMPACT

Meda joined the UN Global Compact (UNGC) in May 2012. This means that Meda has undertaken to promote UNGC's ten principles on human rights, labor, the environment, and anti-corruption. Meda is dedicated to working with issues relating to the environment, labor, and anti-corruption. Promoting the ten principles will become part of the way in which Meda is governed and pursues its operations. In relation to human rights, Meda has previously established that the risk of human rights violations in the course of its operations and in its supply chain is small. Since human rights are a priority area within UNGC, Meda considers it a matter of urgency to confirm this conclusion via a more detailed analysis of the situation. It is for this reason that Meda intends to analyze how well the company meets this UNGC commitment in 2013.

RISK MANAGEMENT DURING EXPANSION

Meda has experienced considerable growth over the past ten years. Much of this expansion has been achieved through acquisitions of companies and exclusive product rights, and through long-term collaborations.

Extensive investigations are carried out be-

fore any acquisition is made. CSR factors are considered as part of the investigation process. Since Meda primarily acquires established products, the investigation relates mainly to production and environmental issues.

Some of Meda's new markets are deemed to be associated with relatively high risk in terms of corruption, human rights violations, and environmental damage. Meda places particular emphasis on following up these aspects on high-risk markets. The company's operations in high-risk countries are almost entirely limited to sales and marketing. Development and manufacturing take place primarily in the US, Germany, France, and Sweden.

Acquired companies and products are integrated immediately into the Meda Group. This means that Meda's CSR strategy is introduced into recently acquired companies.

COMMUNITY INVOLVEMENT

Meda considers it to be the company's duty to make a positive contribution to society. The company helps improve health and well-being by offering proven and cost-effective pharmaceuticals. Furthermore, Meda contributes to the community via donations to charitable organizations and sponsorship of research. There is also Meda's Children's Fund, which has supported several projects aimed at needy children in developing countries since it was established in 2002.

AMERICARES

Since 2003, Meda has been a partner of AmeriCares, a non-profit organization that delivers medicine, medical supplies, and aid to needy people worldwide.

Since it was founded in 1982, the organization has supplied humanitarian aid worth more than USD 9 billion to 137 countries. AmeriCares has helped mitigate the effects of cyclones in Bangladesh, earthquakes in Peru and Pakistan, hurricane Katrina in the US, famine in Darfur, and the tsunami in Southeast Asia.

In 2012, products donated by Meda were distributed in 36 countries.

MAP INTERNATIONAL

Meda has been donating products to the organization MAP International since 2001. MAP is a voluntary aid organization that was founded in 1954, and which works to support some of the world's poorest people in over 155 countries.

The organization provides clinics and hospitals in vulnerable areas with FDA-approved medicines and health care equipment. MAP also works to prevent and mitigate outbreaks of disease and to promote construction of local health care facilities.

MAP has been important in providing access to health care and medicine for millions of victims of disasters, such as famine in Darfur, the

Indian Ocean tsunami, and devastating hurricanes in the Caribbean.

In 2012, Meda's products reached needy people in 63 countries.

DIRECT RELIEF INTERNATIONAL

Meda regularly donates pharmaceutical products to Direct Relief International. Direct Relief has helped people in extremely difficult situations to improve their quality of life since 1948. Direct Relief provides high-demand medicines, OTC drugs, medical supplies and equipment, personal care products, and nutritional supplements. In addition, the organization makes targeted capital donations and provides health worker education. In 2012, Meda's products reached nine countries via Direct Relief International.

CSR OBJECTIVES AND THE FUTURE

The objectives for 2013 build on the results that have been achieved to date in our CSR work. The Group-wide objectives are as follows:

- Meda will improve the model for following up compliance with the Supplier Code of Conduct among suppliers.
- Meda's environmental impact will continue to decrease. The overarching measurement figure is the amount of CO2 emissions per employee.
- Internal control and Business Conduct Guidelines will be further developed in relation to follow-up of compliance. Procedures for prevention of corruption will be strengthened.
- A Gap analysis will be carried out of Meda's operations in relation to the UN Global Compact. A plan of action will be drawn up.

Management report

Annual report and consolidated accounts for Meda AB (publ) 2012. Corporate ID 556427-2812.

The board and CEO hereby submit this annual report and consolidated accounts for the 2012 financial year.

ACTIVITIES

Over the past decade, Meda has developed into a leading international specialty pharma company with its own sales organizations in more than 55 countries. In other markets around the world, its products are marketed and sold via agents/distributors and other pharmaceutical companies. Meda's pharmaceuticals are sold in more than 120 countries.

Establishing confidence in the company's products among various customer and patient groups is a priority area for Meda.

- For prescription drugs, the most important target groups are doctors, nurses, and other medical professionals at specialist clinics and general practices.
- For OTC medications, marketing is generally focused on end customers, such as the patients. TV, radio, printed media, internet, and also social media are key channels for getting information into the public domain. Pharmacies and other establishments that sell pharmaceuticals are also important sales channels for OTC drugs, since their staff often provide advice to customers.

Like most pharmaceutical companies, Meda is mainly exposed to product competition. Meda is also exposed to competition from, above all, other pharmaceutical companies that have a similar operational focus in terms of product acquisitions and in-licensing.

Meda's operations are organized in four functions: sales and marketing, drug development, manufacturing, and administration. The majority of Meda's employees, about 1,900, including limited-term employees, work within the marketing function. An efficient, non-bureaucratic structure characterizes the organization.

Meda's product portfolio is divided up into three main areas: Specialty Products, OTC (non-prescription products), and Branded Generics.

Meda's therapy areas are: respiratory, dermatology, cardiology, pain and inflammation, and central nervous system (CNS). These groups make up about 74% of total sales. Local products, which have strong brands and market positions, constitute another major part of Meda's product portfolio.

Meda strives to maintain a non-hierarchical organization with short decision paths and efficient work processes, which when melded with the resources of a large company create clear competitive advantages that ensure continual realization of key business opportunities. Product acquisitions are preceded by meticulous analysis based on several criteria, including brand strength, the product's phase in the product life-cycle, patent protection, profitability, complexity of product formulations, and further potential for product development.

Meda's own drug development aims to enhance future organic growth by building up a strong pipeline. Meda refrains from the risky, capital-intensive early research, in line with the company's strategy. The focus is instead on development in the late clinical phase.

SALES

Net sales for 2012 increased 1% to SEK 12,991 million (12,856). At fixed exchange rates, sales increased 3%.

Sales by geographic area*

(SEK million)	2012	2011	Index	Index ¹⁾	Index ²⁾
Western Europe	8,452	8,052	105	107	103
US	2,481	2,636	94	92	81
Emerging Markets	1,834	1,633	112	115	111
Other Sales	224	535	42	43	87
Total sales	12,991	12,856	101	103	100

¹⁾ Fixed exchange rates ²⁾ Organic growth

Sales in Western Europe for the period amounted to SEK 8,452 million (8,052), representing a 7% increase at fixed exchange rates. The underlying organic growth for the region amounted to 3%, driven primarily by the launch of new OTC products as well as growth in Britain, the Netherlands, Belgium, and Germany. The sales trend in southern Europe was weaker than last year.

US sales amounted to SEK 2,481 million (2,636), representing an 8% decrease at fixed exchange rates and an organic sales decline of 19% for the period. Felbatol, Soma, Prefera and several other older products lost market share due to generic competition. Revenues in the US from the cooperation agreement with Valeant were SEK 545 million (333).

Sales in Emerging Markets amounted to SEK 1,834 million (1,633), representing a 15% increase at fixed exchange rates. Organic growth amounted to 11%, primarily driven by good

*) See definitions on page 132.

performance in Russia, the Middle East, and Mexico, as well as contributions from China and Brazil, which are new markets.

Other Sales amounted to SEK 224 million (535). The decrease compared to last year was mainly due to a cessation of service revenue from the cooperation agreement with Valeant and other non-recurring revenue.

Sales by product category*

(SEK million)	2012	2011	Index	Index ¹⁾	Index ²⁾
Specialty Products	8,107	8,117	100	101	97
OTC	3,023	2,499	121	123	111
Branded Generics	1,454	1,529	95	96	97
Other Sales	407	711	57	59	88
Total sales	12,991	12,856	101	103	100

¹⁾ Fixed exchange rates ²⁾ Organic growth

Sales within Specialty Products amounted to SEK 8,107 million (8,117), up 1% at fixed exchange rates. Growth in this category is attributable to acquired products, since organic growth for the period amounted to –3%. Specialty Products was affected negatively by weak performances by primarily Felbatol and Soma in the US and Minitran in western Europe.

OTC sales amounted to SEK 3,023 million (2,499), representing a 23% increase at fixed exchange rates. Organic growth was 11% for the period.

Sales in Branded Generics totaled SEK 1,454 million (1,529), which is a 4% decrease at fixed exchange rates. Organic growth in this category was –3%.

Other Sales amounted to SEK 407 million (711). The decrease compared to last year was mainly due to a cessation of service revenue from the cooperation agreement with Valeant and other non-recurring revenue.

PROFIT

OPERATING PROFIT

Operating profit for 2012 was SEK 1,791 million (2,644) and EBITDA amounted to SEK 3,935 million (4,683), yielding a 30.3% margin (36.4). Operating expenses amounted to SEK 6,159 million (5,555).

Selling expenses for 2012 amounted to SEK 2,867 million (2,449). The majority of the increase is due to investments in the OTC area, market investments in Emerging Markets, and costs related to the launch of Dymista in the US.

FINANCIAL ITEMS AND NET INCOME

Group net finance costs for 2012 amounted to SEK 548 million (604) and profit after net finance costs was SEK 1,243 million (2,040). The average interest rate at December 31, 2012 was 3.0% (3.4).

Group tax expense for 2012 amounted to SEK 63 million (432), equivalent to a tax rate of 5.1% (21.2). Tax expense for the year was positively affected by SEK 179 million related to the revaluation of deferred tax liabilities due to a reduction in Swedish corporate tax to 22%.

Net income for the year amounted to SEK 1,180 million (1,608) and earnings per share reached SEK 4.00 (5.35).

CASH FLOW

Cash flow from operating activities, before changes in working capital, for 2012 totaled SEK 3,051 million (3,130). Cash flow from changes in working capital was SEK –238 million (–272). Last year's tied-up capital decreased by SEK 84 million as a result of the cooperation agreement with Valeant, for which Meda received USD 76 million in initial payments in June 2011. Excluding the effect of this cooperation agreement, cash flow from change in working capital for 2011 was SEK –356 million.

Inventories rose by SEK 277 million during the period as a result of building new product inventories in conjunction with the launch of OTC products on the European market and the launch of Dymista on the US market. Product acquisitions on the US market also contributed to the increase in inventory value. Receivables and liabilities positively affected cash flow by net SEK 39 million.

Cash flow from operating activities amounted to SEK 2,813 million (2,858).

Cash flow from investing activities amounted to SEK –1,143 million (–5,669). The acquisition of a product portfolio from Jazz Pharmaceuticals in the US was completed at the beginning of Q4, and MidNite, an OTC product, was acquired in the US in December. Cash flow from financing activities amounted to SEK –1,608 million (2,844).

Cash earnings per share reached SEK 8.84 (9.07).

FINANCING

Equity stood at SEK 15,113 million on December 31, compared to SEK 14,971 million at the start of the year, corresponding to

*) See definitions on page 132

SEK 50.0 (49.5) per share. The equity/assets ratio was 41.3% from 38.7% at the start of the year. Net debt totaled SEK 15,449 million on December 31, in contrast to SEK 17,361 million at the year's start.

DIVIDEND

One of Meda's most important business goals is to create increased value for its shareholders in the long term. Such value can come through a higher share price and dividend payments. Meda's board evaluated several factors, including:

- Sustained profit trends.
- Expansion opportunities and access to capital.
- Operating risk.
- Effect of dividends on cash and cash equivalents.
- Equity/assets ratio targets.

After an overall assessment of these factors, the board proposes a dividend for 2012 of SEK 2.25 (2.25) per share, resulting in total dividends of SEK 680 million (680).

Calculated from equity as of December 31, 2012, this dividend represents a reduction in the Group's equity/assets ratio from 41.3% to 39.5%.

MAJOR EVENTS IN 2012

DYMISTA APPROVED BY THE FDA

The FDA approved Dymista, a new patented product for the treatment of SAR. In several clinical studies, Dymista has consistently shown rapid and more complete relief of symptoms than standard treatment.

DYMISTA – MAY BECOME THE DRUG OF CHOICE

The renowned Journal of Allergy and Clinical Immunology (JACI, 2012, 129:1282-9) published an article about the clinical development program for Dymista (project code MP29-02), Meda's new intranasal therapy for allergic rhinitis (AR). The authors summarize the results of three clinical studies in a meta-analysis that includes 3,398 patients. The studies demonstrate that Dymista is more effective in treating all symptoms than existing recommended first-line therapies.

EDLUAR APPROVED IN EUROPE

Edluar was approved in Europe through the decentralized registration process, with Sweden as the Reference Member State. Edluar is used for treatment of sleep disorders and contains zolpidem, a well-documented active ingredient. National

registration processes will now follow in the individual countries prior to launch. The first launches are expected to take place in 2013.

MEDA ACQUIRES WOMEN'S HEALTH PRODUCTS IN THE US

In September, Meda signed an agreement with Jazz Pharmaceuticals for the acquisition of six women's health drugs. The biggest and most important product is Elestrin, a patented product with sales of nearly SEK 100 million. Elestrin is intended for the treatment of moderate to severe vasomotor symptoms (hot flashes) associated with menopause. Since its launch in 2007, Elestrin has become a leading brand in the US for topical estrogen therapy. The acquisition increases Meda's presence in an area in which it already operates, and Meda's sales of products in the field of women's health care will amount to more than SEK 500 million when the new products are added to the existing portfolio. The acquisition was completed in mid-October 2012.

ZYCLARA APPROVED IN EUROPE

Meda received marketing approval for Zyclara from the European Commission. Zyclara (imiquimod 3.75% cream) is a patented product for the treatment of actinic keratosis. The approval is valid in all EU countries. Actinic keratosis (AK), early skin cancer in situ, is an under-diagnosed and under-treated disease, and the number of affected patients is increasing. There is a close co-existence of invisible (subclinical actinic keratoses) and clinically visible actinic keratoses on the skin areas that have been exposed to the sun—a phenomenon known as "field cancerization" (multiple AK). Zyclara is the first clinically proven treatment option that can detect and eliminate subclinical and clinical actinic keratoses on large areas of skin. In a major clinical development program, Zyclara was shown to be an effective treatment for eliminating both types of AK with a low recurrence rate.

MEDA ACQUIRES OTC PRODUCTS IN THE US

In December, Meda signed an agreement to acquire MidNite, an OTC sleep-aid product. MidNite is well established in the US and holds a market-leading position within a growing category. Annualized revenues for MidNite are approximately SEK 100 million. After the MidNite acquisition, Meda's OTC business in the US will have pro forma revenues of close to SEK 400 million.

GROUP OPERATIONS IN DRUG DEVELOPMENT

Meda's development function has about 220 employees, including limited-term employees, who work with development, clinical trial programs, and drug registration. In line with its position as a specialty pharma company, Meda refrains from risky, capital-intensive early research. Instead, resources are focused on development in late clinical and registration phases, with efforts often based on well-known active ingredients in which the characteristics of an existing product are improved, for example through:

- **A new administration method**, such as Astepro once-daily, Zyclara, and Tambocor (controlled release).
- **Combination products**, such as Dymista, Xerese, and Acnex/Acnatac.
- **New indications** for existing drugs, such as Aldara and Flupirtine.

In 2012, Meda invested SEK 143 million (136) in drug development, excluding costs for registration, side-effect management, and quality assurance.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

Meda coordinates all accountability and sustainability issues under its corporate social responsibility (CSR) policy and has identified seven areas within which CSR is to be implemented: ethics, corporate governance, employees, patients, product supply, the environment, and community. These areas were identified based on an analysis of how Meda affects its surroundings, both within and outside of the company, and how its surroundings affect Meda.

CSR objectives are defined and monitored regularly. Overall management is conducted at Group level, with direct feedback to the CEO, while local units are responsible for organization and implementation. The results of Meda's CSR work in 2012 are described in Meda's Sustainability Report on pages 41–55.

UN GLOBAL COMPACT

Meda signed up to the UN Global Compact (UNGC) in May 2012. This means that Meda has undertaken to promote UNGC's ten principles on human rights, labor, the environment, and anti-corruption. Meda is dedicated to working with issues relating to the environment, labor, and anti-corruption. Promoting the ten principles will become part of the way in which Meda is governed and pursues its operations.

ENVIRONMENT

Meda mainly impacts on the environment through:

- Energy consumption, emissions and waste from production.
- Energy consumption at offices and in other premises.
- Emissions from transportation and travel.

Meda endeavors to pursue operations in a manner that is sustainable in the long term, particularly from an environmental perspective. The company observes all relevant environmental legislation and operates in accordance with ISO 14001 to reduce its environmental impact to a greater extent than required by law. Particular attention has been devoted to energy consumption, hazardous waste, and consumption of materials.

ENVIRONMENTAL PERMITS AND PRODUCTION

Meda's environmental efforts are chiefly focused on the production units in Germany, France, and the US. The production units hold all the environmental permits that are required according to the legislation of each country, as well as in line with EU regulations. This has been actively followed up at all units and no deviations were identified in 2012.

Meda's environmental management system is certified in accordance with ISO 14001. The Group's units have their own goals in relation to energy consumption and waste generation, and where relevant, for effluent and emission levels. The goals are regularly followed up and revised. All production units, the development laboratory in Radebeul and the offices in Solna and Bad Homburg have been certified in accordance with ISO 14001 since 2012. Environmental audits are carried out by a third party at all affected units/factories.

Meda observes the relevant public authority requirements in relation to analyzing traces of drugs in water environments that derive from drug use. The company also follows new research findings. The dominant view of experts in this area is that the amounts of drug residues that can be measured in the environment are not deemed to be hazardous to people or to cause damage to plants or animals.

ENERGY AND CARBON DIOXIDE EMISSIONS

Reducing energy consumption and emissions of greenhouse gases is Meda's most important environmental goal. Meda reports its carbon dioxide emissions via participation in the Carbon Disclosure Project (CDP). CDP participation supports the company's continued environmental and climate initiatives

and also provides feedback on the reports and measures implemented.

RESTORATION OBLIGATIONS

In the 1980s, long before Meda acquired its production facility in Cologne, groundwater contaminants, polycyclic aromatic hydrocarbons (PAH) and chlorinated hydrocarbons (CHC), were discovered there. An action plan was then produced in cooperation with the applicable public authorities. The plan involved removing contaminated soil, and in the 1990s, a water pump was installed, which continues to pump up and purify groundwater with activated carbon. Levels of PAH and CHC contamination have gradually declined. Groundwater pumping is expected to continue until at least 2016.

EMPLOYEES

Meda has experienced considerable growth, chiefly through acquisitions. Since 2005, the number of employees, including limited-term employees, has increased from around 150 to just over 3,100. The objective is to preserve the strengths of the small company, with a non-hierarchical and efficient organization and short decision-making paths. As a specialty pharma company, most employees are active within sales and marketing. The roughly 1,900 people within these areas, including limited-term employees, represent roughly 60% of total staff.

PROFESSIONAL DEVELOPMENT, EQUALITY AND DIVERSITY

The commitment and skill of our employees is the key to Meda's development. Professional development takes place according to the needs of the individual and his/her role. A process of structured professional development is conducted, particularly concerning product training upon new acquisitions. Ensuring that employees' rights and opportunities are safeguarded is an important component in guaranteeing that Meda has, and has access to the expertise it requires. This applies to both existing and potential employees.

Meda's Business Conduct Guidelines clearly state that all employees and applicants are to be treated equally. Discrimination based on, for example, gender, gender identity or gender expression, ethnicity, religion or other belief system, disability, sexual orientation or age, is strictly prohibited within Meda. No cases of discrimination were reported in 2012.

SICK LEAVE

In 2012, sick leave decreased from 3.3% to 3.1%. Sick leave is relatively equally split between men and women and among various ages. As in previous years, sick leave was mostly short term; consecutive sick leave exceeding 60 days stood at 0.9% (0.9).

EVENTS AFTER CLOSING DAY

DYMISTA APPROVED IN EUROPE

Dymista received medical approval in Europe through the decentralized registration process. Dymista is approved for the treatment of seasonal and perennial allergic rhinitis. National registration processes, including negotiations regarding pricing and reimbursement, will now follow in the individual countries prior to launch. Launches are anticipated in 2013 in several countries.

GO-AHEAD FROM FDA TO BEGIN PHASE II STUDY ("PROOF OF CONCEPT") FOR FLUPIRTINE

Meda has received approval from the American Food and Drug Administration (FDA) to begin a clinical phase II study ("Proof of Concept") for Flupirtine for the treatment of fibromyalgia. The randomized, double-blind, placebo and active-controlled study of patients with fibromyalgia will be conducted in 25 clinics in the US.

ACNEX APPROVED IN EUROPE

Acnex has received registration approval in Europe via the decentralized procedure. Acnex is a novel product (clindamycin/tretinoin) for the treatment of moderate to severe acne. National registration processes, including price and reimbursement, will now follow in each country. The product will be launched during 2013.

RISKS FACTORS

Information about risk factors is on page 122–124.

PARENT COMPANY

Net sales for 2012 reached SEK 5,733 million (4,649), of which intra-Group sales represented SEK 3,712 million (2,988).

Profit before appropriations and tax reached SEK 1,393 million (1,978).

Net finance costs were SEK 970 million (1,424), which includes dividends from subsidiaries of SEK 754 million (1,827).

Investments in product rights amounted to SEK 301 million (283), and investments in property, plant, and equipment totaled SEK 1 million (0).

Non-current financial assets stood at SEK 24,778 million, compared to SEK 24,510 million at year-end 2011.

BOARD'S PROPOSAL TO THE 2013 AGM FOR POLICIES ON REMUNERATION TO COMPANY EXECUTIVES

The board proposes that the AGM approves these guidelines for senior executives. The proposal reflects Meda's need to be able to recruit and motivate qualified employees via compensation that is competitive in various countries. The Group's executive management team consists of:

- Chief Executive Officer (CEO).
- Chief Operating Officer.
- Chief Financial Officer.

The board's proposal regarding policies for remuneration/compensation and other employment terms for Meda's senior executives imply that Meda shall strive to offer its executives market-based remuneration/compensation, subsequent criteria shall be based on significance of responsibilities, competence requirements, experience, and performance, and remuneration shall consist of:

- Fixed basic salary.
- Short-term variable pay.
- Long-term variable pay.
- Pension benefits.
- Other benefits and severance terms and conditions.

The board's proposal is in agreement with remuneration policies of previous years and is mainly based on agreements already entered into between Meda and senior executives. Distribution between basic salary and variable pay must be in proportion to the executive's responsibility and authority levels. Note 8 states policies for the CEO's employment conditions.

Short-term variable pay is performance-based, partly on Group profit and partly on individual qualitative parameters. Variable pay may not exceed 45% of an executive's total annual remuneration.

Long-term variable pay may include a share-related incentive program. Other benefits primarily consist of leasing cars. Pension premiums are paid at an amount based on the ITP supplementary pension plan or equivalent system for employees abroad. Pensionable salary consists of basic salary

and variable salary. Fixed salary during the notice period and severance pay must together not exceed two years' fixed salary. Issues concerning remuneration to Group management shall be prepared by the remuneration committee and be determined by the board. If sufficient reason exists, the board has the right to deviate from the above remuneration principles for executives.

MOVING FORWARD

The pharmaceutical industry is faced with major challenges but Meda is part of segments that will display growth. In a world that is striving after lower pharmaceutical costs on several levels, production costs will become more important. Meda has a good foundation of internal and external production, but we will gradually search for cost effective solutions in production.

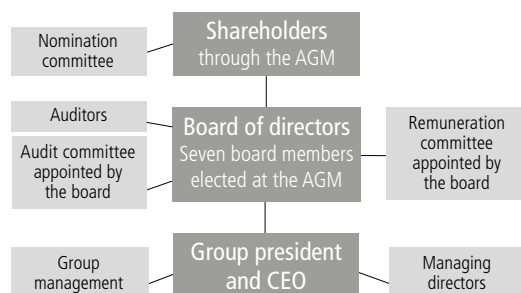
In addition, we have a strong cash flow and will take action to continue our acquisitions of interesting products and investments in prioritized markets.

Corporate governance report

CORPORATE GOVERNANCE

Meda is a Swedish public limited company listed on the NASDAQ OMX Stockholm exchange. Meda applies the Swedish Code of Corporate Governance¹⁾ and hereby submits its corporate governance report for 2012. Monitoring in 2012 has resulted in the absence of any deviations from the Swedish Code of Corporate Governance for Meda.

MEDA'S CORPORATE GOVERNANCE STRUCTURE



SHAREHOLDERS

Meda's share has been quoted on the Stockholm Stock Exchange since 1995 and on the Large Cap segment of the NASDAQ OMX Stockholm exchange since 2006. Per December 28, 2012, Meda had 27,774 shareholders according to the share database held by Euroclear Sweden AB. The parent company's shares comprise 302,243,065 A shares. Each A share represents one vote. For more information about Meda's share and shareholders, see pages 125–127 and Meda's website.

Below are the shareholders who have a direct or indirect shareholding exceeding one-tenth of the voting shares of the company, based on data provided by Euroclear Sweden AB as at February 28, 2013, and thereafter known changes.

Shareholders	No. of shares	No. of votes and % capital
Stena Sessan Rederi AB	68,741,485	22.7
Total shares	302,243,065	100

ANNUAL GENERAL MEETING

Meda's shareholders exercise their right of decision at general meetings (AGM and any EGMs). The AGM resolves by qualified majority on the Articles of Incorporation, in accordance with the Swedish Companies Act.

The corporate governance area of Meda's website offers information material from Meda's latest AGMs and EGMs. Information is also provided about the right of shareholders to have a matter addressed by the meeting, and the date Meda must receive a shareholder's request to ensure that the matter is included in the notice of the meeting.

ANNUAL GENERAL MEETING

The AGM is held in Solna, Sweden. The date and venue of the meeting are provided on Meda's website upon release of the Q3 interim report at the latest. Shareholders unable to attend in person can be represented through an authorized proxy.

At the AGM, shareholders have the opportunity to ask questions about the Group's operations. Meda endeavors to ensure that board members and Group management members are always present to answer such questions. Meda's auditor attends the AGM.

2012 AGM

The AGM took place on Wednesday, May 9, 2012 in Solna. The meeting was attended by 272 shareholders, in person or by proxy. Meda's board, management, nomination committee and auditors attended the meeting.

The following main resolutions were made:

- A dividend of SEK 2.25 per share for 2011.
- Bert-Åke Eriksson was re-elected chairman.
- Peter Claesson, Peter von Ehrenheim, Marianne Hamilton, Tuve Johannesson, and Anders Lönner were re-elected board members.
- Lars Westerberg was elected as a new board member.
- Adoption of remuneration for the board and auditor.
- Adoption of remuneration policies for Group management.
- Authorization of the board to decide on share and convertible issues.
- Authorization of the board to decide on acquisition of treasury shares.
- Resolution on amendment of Section 9 of the Articles of Incorporation.
- Adoption of policies for appointing the nomination committee.
- Reduction in the number of board members from eight to seven.

¹⁾ www.bolagsstyning.se

Minutes of the 2012 AGM are available on Meda's website, www.meda.se: (the information on Meda's website does not form part of this annual report).

2013 AGM

Meda's 2013 AGM will take place on Tuesday, May 7 at the company's offices. Shareholders wishing to have a matter addressed by the AGM are to submit a written request thereof to the board in plenty of time ahead of the AGM. Further information can be found on Meda's website.

ARTICLES OF INCORPORATION

Meda's Articles of Incorporation contain no limitations in terms of the amount of votes each shareholder can carry at an AGM, or specific provisions regarding the appointment and dismissal of board members and amendments to the Articles of Incorporation.

NOMINATION COMMITTEE

The 2012 AGM resolved that the nomination committee shall consist of Meda's board chair and one member appointed by each of the four largest shareholders.

COMPOSITION OF THE NOMINATION COMMITTEE

The current nomination committee, as published in a press release on October 15, 2012, consists of:

Nomination committee	Appointed by following shareholder
Karl-Magnus Sjölin (chairman of nomination committee)	Stena Sessan Rederi AB
Bert-Åke Eriksson (chairman of Meda's board)	Stena Sessan Rederi AB
Evert Carlsson	Swedbank Robur Funds
Bengt Belfrage	Nordea Funds
Anders Oscarsson	AMF Funds

RESPONSIBILITIES OF THE NOMINATION COMMITTEE

The committee's brief is to prepare and submit proposals to the AGM for:

- Election of the AGM chair.
- Election of board chairman and other board members.
- Board remuneration with specifications for board chair and other members plus remuneration for possible committee work.

- Election of an auditor, deputy auditor (as needed), and auditors' fees.
- Principles regarding composition of the nomination committee.

NOMINATION COMMITTEE'S WORK FOR THE 2013 AGM

The committee held six meetings. The committee received information through the board chairman regarding board work and Meda's focus for the coming years. The committee interviewed all board members. Board composition and structure and other items deemed relevant were discussed by the committee. In general, it was considered that the board functioned smoothly. The committee also made an assessment of the nominated members' independence in relation to Meda, its management and major shareholders, and ascertained that the majority of the board members are independent.

THE BOARD OF DIRECTORS

The board has ultimate responsibility for Meda's organization and administration of its operations. The CEO manages daily operations based on guidelines and instructions set by the board. The CEO informs the board regularly about events of significance to the Group, including the performance of the operations and Group earnings, financial position and liquidity.

THE BOARD'S COMPOSITION

Per Meda's Articles of Incorporation, the board must consist of at least three and no more than ten members, with no more than six deputies. Meda's board consists of seven members elected by the AGM, including the board chair and CEO. Information about remuneration of board members as resolved at the 2012 AGM is available in Note 8 of the annual report.

THE BOARD'S INDEPENDENCE

The board is deemed to fulfill the independence requirements of the Swedish Code of Corporate Governance. Apart from CEO Anders Lönner, board members are not employees of the Group. The assessment of the nomination committee as to whether the proposed member meets the independence requirements is announced when the committee submits its

proposal to the AGM. The independence of each member is shown in the table on page 67–68.

THE BOARD'S RULES OF PROCEDURE AND WRITTEN INSTRUCTIONS

The board annually adopts rules of procedure at the organizational meeting consisting of instructions for division of duties between the board and CEO and for financial reporting.

BOARD WORK STRUCTURE

As per the board's rules of procedure, four standard meetings and an organizational meeting are held each year. The board may also meet whenever circumstances so require.

The standard meetings have fixed reporting and decision items. The CEO also regularly provides information about the company's performance. The board makes decisions on comprehensive matters such as strategic, structural, and organizational issues plus major investments. The board chair also plays an active role in these matters between board meetings. Meda's auditors attend at least one board meeting.

BOARD WORK IN 2012

Nine board meetings were held in 2012. Members' attendance at the board meetings is shown in the table on page 67–68. Besides the usual reporting and decision items in 2012, the board dealt in particular with acquisitions and other strategic issues.

BOARD COMMITTEES

The board appointed an audit committee and a remuneration committee. The members of the committees are selected from the board members for one year at a time, in accordance with the principles stipulated in the Swedish Companies Act and Swedish Code of Corporate Governance.

AUDIT COMMITTEE

The audit committee consists of three members: Tuve Johansson (chair of the committee), Bert-Åke Eriksson and Peter Claesson.

The audit committee has the following main responsibilities:

- Preparing the board's work in assuring the quality of the financial statements.

- Addressing issues relating to internal control of the financial reporting and compliance.
- Monitoring and evaluation of external audit work.
- Following accounting developments in areas that can affect Meda.

The committee held three standard meetings in 2012, with a particular emphasis on interim reports, audit reports, internal controls, and valuation of intangible assets. The members' meeting attendance is shown in the table on page 67–68.

REMUNERATION COMMITTEE

The remuneration committee consists of three members: Bert-Åke Eriksson (chair of the committee), Marianne Hamilton and Tuve Johansson.

The remuneration committee has the following main responsibilities:

- Preparing board resolutions regarding remuneration policies, benefits and other terms of employment for company management.
- Drawing up remuneration guideline proposals for senior executives to be proposed by the board at the AGM.
- Monitoring and evaluating variable remuneration programs for the company management in progress or completed during the year.
- Monitoring and evaluating the application of the guidelines for remuneration for senior executives, the resolution of which is statutorily incumbent on the AGM, and applicable remuneration structures and levels at Meda.

In 2012 the committee held one standard meeting focusing on remuneration policies in the Group. The members' meeting attendance is shown in the table on page 67–68.

INTERNAL AUDIT

Meda has chosen not to establish a separate audit function for internal audits. Internal audit work is carried out according to a specific plan by the Group's central finance function in cooperation with the external auditors. With regard to the outcome of this year's internal audit and development of Meda's internal controls in general, the board has determined that, for the time being, a special review function is not justified.

AUDITORS

Meda's auditors are certified public accounting firm PricewaterhouseCoopers AB, with certified public accountant Mikael Eriksson. PricewaterhouseCoopers was elected at the 2012 AGM until the end of the next AGM.

INTERNAL CONTROL WITH RESPECT TO FINANCIAL REPORTING

The board's internal control responsibility is governed by the Swedish Companies Act and Code of Corporate Governance. Internal control with respect to financial reporting forms part of Meda's internal controls and is a fundamental element of Meda's corporate governance.

The overall purpose of Meda's internal control is to safeguard the company's assets and thus shareholders' investments. Internal control and risk management are part of the board's and management's governance and monitoring work, the objective of which is to ensure that operations are managed appropriately and efficiently.

To provide the board with a platform for determining levels of internal management and control, Meda continuously reviews and analyzes its management processes and internal controls based on the five principles of the COSO framework (internal environment, risk assessment, control activities, information and communication, and monitoring). The review results in an annual action plan for developing internal controls. For 2012, this meant:

- Updating and implementing governing documents such as the Meda Group Accounting and Reporting Manual.
- A Whistleblower Policy has been established.
- Continued strengthening of IT environment.
- Following up compliance with internal regulations and guidelines.
- Further control and monitoring of new entities.

An action plan for working with internal controls in 2013 has been prepared.

INTERNAL CONTROL ENVIRONMENT

Meda's organization is designed to be able to react quickly to market changes. Overall operational decisions are therefore made at company level, while decisions on strategy, direction, acquisitions, and general financial issues are made by Meda's

board and Group management. Internal controls for Meda's financial reporting are designed to address these conditions.

The company's internal control environment is the basis for internal controls of financial reporting. The internal control environment consists of the organizational structure, work practices and procedures, decision paths, authority and responsibility, and attitudes and values documented and communicated in governing documents. Examples of these governing documents are Meda's Business Conduct Guidelines, Delegation of Authority, and Internal Control Standards.

RISK ASSESSMENT

Risk assessments are done on the income statements and balance sheets for materiality, complexity, and fraud risks. This risk assessment is done at Group and company levels and results in a risk-level classification for various processes. For a detailed description of Meda's risks, see Note 2 on financial risks and the section on risk factors page 122–124.

Identified risks are countered by clear division of responsibilities and work as well as internal guidelines for accounting and reporting.

CONTROL ACTIVITIES

Appropriate control activities are developed at Group and company levels to manage the principal risks related to financial reporting identified during the risk assessment. These control activities include both general and more specific controls designed to prevent, detect and correct errors and discrepancies. Meda performs and documents these controls:

- Manual controls and application controls, which ensure that key risks within processes related to financial reporting are controlled. Examples of important manual controls and application controls are controls of journal vouchers, reconciliations, access rights, and allocation of responsibilities.
- General IT controls that secure the IT environment for key applications. Examples of key general IT controls are back-up procedures, access rights, and user management.
- Enterprise-wide controls that safeguard and improve Meda's control environment. Examples of key enterprise-wide controls are Group-specific guidelines, accounting rules, signatory authority instructions, and financial monitoring.

INFORMATION AND COMMUNICATION

Meda's information and communication channels should contribute to complete, accurate, and timely financial reporting. This is achieved by ensuring that all relevant guidelines and instructions for internal procedures are made available to all employees concerned. When necessary, regular updates and notifications of changes to accounting rules/guidelines, reporting requirements, and disclosure requirements are provided.

Financial communication to the market is provided by:

- Meda's annual report.
- Interim reports and financial statements, which are published as press releases.
- Press releases on important news and events that may substantially affect the share price.
- Presentations and conference calls for financial analysts, investors, and the media on the same day the financial statements and interim reports are published.
- Meda's website (www.meda.se).

MONITORING

Meda's work with internal controls helps to enhance awareness about the importance of sound internal controls, and continually improve them.

During the year, Meda continuously analyzes the control environment, risk assessment, and control activities, which form the basis for the coming year's action plan. The purpose of working with this action plan is to identify and monitor areas where internal controls could be improved.

The board carries out monthly financial reporting, with greater content ahead of interim reports. The board reviews and approves all interim and annual reports for publication.

BOARD MEMBERS

Name*	Bert-Åke Eriksson (Chairman)	Peter Claesson	Marianne Hamilton	Tuве Johannesson
Member since	1998	2009	2006	2006
Born	1944	1965	1947	1943
Education	BSc.	BSc in finance.	BSc and IFL School.	BSc in finance and MBA, Dr. (h.c.).
No. shares in Meda	2,234,077	5,000	18,961	85,000
Other boards	Member of Stena Adactum AB and Beijer Electronics AB.	Member of Stena Line Holding BV, Stena Drilling Ltd, Stena Fastigheter AB, Sveriges Ångfartygs Assurans Förening, and Handelsbanken Regionbank Västra Sverige.	Member of Connecta (publ) and Ek & Bok AB.	Chair of Arctic Island Ltd and Ecolean International A/S.
Current role	CEO of Stena Sessan Rederi AB.	CFO of Stena AB.	Not employed.	Advisor to J.C. Bamford Excavators Ltd and Senior Industrial Advisor to EQT.
Independent of Meda/ management group	Yes	Yes	Yes	Yes
Independent of major shareholders	No	No	Yes	Yes
Professional back- ground	Desk officer in the Ministry of Enterprise, Energy and Com- munications, CEO of Rederi AB Gotland, CEO of United Tankers AB.	Various positions at Trelleborgskoncernen (1992–2007), most recently as Senior Vice President, Group Treasury. Göteborgs (1989–1992).	Personnel director, Atlas Copco AB.	Most senior management positions at Tetra Pak (1973–1982), Vice President of Tetra Pak (1983–1987), Group president of VME (1988–1994), later known as Volvo Construction Equipment, Group president of Volvo Car Corporation (2000–2004).
Board meetings 2012	9	9	9	9
Attendance	9	9	9	9
Audit committee	Yes	Yes	–	Yes, chairman.
No. meetings 2012	3	3	–	3
Attendance	3	3	–	3
Remuneration committee	Yes, chairman.	–	Yes	Yes
No. meetings 2012	1	–	1	1
Attendance	1	–	1	1

Name*	Lars Westerberg	Peter von Ehrenheim	Anders Lönner
Member since	2012	2011	2001
Born	1948	1955	1945
Education	BSc in finance and MSc.	MSc, KTH Royal Institute of Technology.	MSc. Pol. Sci.
No. shares in Meda	220,000	15,000	5,100,000
Other boards	Chair of Husqvarna AB, board member of Volvo AB, Sandvik AB, SSAB and Stena AB.	Board chair of Robustus Wear Components AB and Biolin Scientific AB. Member of Uppsala University.	None.
Current role	Not employed.	Entrepreneur in engineering industry and consultant within life sciences.	Group president and CEO of Meda.
Independent of Meda/management group	Yes	Yes	No
Independent of major shareholders	Yes	Yes	Yes
Professional background	CEO and President, as well as board member of Autoliv Inc (1999–2007). CEO and President of Gränges AB (1994–1999). CEO and President of Esab AB (1991–1994).	CEO GE Healthcare Life Sciences and a series of roles within Amersham and Pharmacia Biotech.	CEO Astra Läkemedel AB, Vice President of Astra AB, CEO Karo Bio AB, chair of LIF (trade association for the research-based pharmaceutical industry in Sweden).
Board meetings 2012	5 ¹⁾	9	9
Attendance	5	9	9
Audit committee	—	—	—
No. meetings 2012	—	—	—
Attendance	—	—	—
Remuneration committee	—	—	—
No. meetings 2012	—	—	—
Attendance	—	—	—

¹⁾ Took up position at 2012 AGM

* Anders Waldenström and Maria Carell stepped down as board members in 2012.

Consolidated income statement

SEK million	Note	2012	2011
Net sales	4, 5	12,991	12,856
Cost of sales	6	-5,041	-4,657
Gross profit		7,950	8,199
Selling expenses		-2,867	-2,449
Medicine and business development expenses		-2,609	-2,468
Administrative expenses		-683	-638
Operating profit	4, 6–10	1,791	2,644
Finance income	11, 12	107	92
Finance costs	11, 12	-655	-696
Profit after financial items		1,243	2,040
Tax	13	-63	-432
Net income		1,180	1,608
Earnings attributable to:			
Parent company shareholders		1,209	1,616
Non-controlling interests		-29	-8
		1,180	1,608
Earnings per share	14		
basic, SEK		4.0	5.35
diluted, SEK		4.0	5.35
Average number of shares			
basic (thousands)		302,243	302,243
diluted (thousands)		302,243	302,243
Actual number of shares at year-end			
basic (thousands)		302,243	302,243
diluted (thousands)		302,243	302,243
Dividend per share (SEK)		2.25¹⁾	2.25

¹⁾ Proposed dividend

Consolidated statement of comprehensive income

SEK million	Note	2012	2011
Net income		1,180	1,608
Translation difference	23	-730	4
Net investment hedge, after tax	23	403	31
Cash flow hedges, after tax	23	-31	-11
Other comprehensive income for the period, net of tax		-358	24
Total comprehensive income		822	1,632
Earnings attributable to:			
Parent company shareholders		850	1,640
Non-controlling interests		-28	-8
		822	1,632

Consolidated balance sheet

SEK million	Note	31 Dec, 2012	31 Dec, 2011
ASSETS			
Non-current assets			
Property, plant, and equipment	15	795	811
Intangible assets	16	30,419	32,306
Derivatives	21	–	9
Deferred tax assets	17	715	566
Available-for-sale financial assets	18	5	5
Other non-current receivables		10	12
Total non-current assets		31,944	33,709
Current assets			
Inventories	19	1,931	1,780
Trade receivables	20	1,929	1,944
Other receivables		199	154
Tax assets		117	151
Prepayments and accrued income		181	320
Derivatives	21	60	520
Cash and cash equivalents	22	194	140
Total current assets		4,611	5,009
TOTAL ASSETS		36,555	38,718
EQUITY			
Share capital	23	302	302
Other capital contributions	23	8,865	8,865
Other reserves	23	–598	–239
Retained earnings including profit for the year		6,576	6,047
		15,145	14,975
Non-controlling interests		–32	–4
Total equity		15,113	14,971
LIABILITIES			
Non-current liabilities			
Borrowings	24	13,195	14,913
Derivatives	21	50	29
Deferred tax liabilities	17	2,533	2,735
Pension obligations	25	696	786
Other non-current liabilities		35	35
Other provisions	26	206	216
Total non-current liabilities		16,715	18,714
Current liabilities			
Trade payables		900	878
Current tax liabilities		431	373
Other liabilities		167	187
Accruals and deferred income		1,103	1,162
Derivatives	21	28	257
Borrowings	24	1,752	1,802
Other provisions	26	346	374
Total current liabilities		4,727	5,033
Total liabilities		21,442	23,747
TOTAL EQUITY AND LIABILITIES		36,555	38,718

Consolidated cash flow statement

SEK million	Note	2012	2011
Cash flow from operating activities			
Profit after financial items		1,243	2,040
Adjustments for items not included in cash flow	28	2,163	2,028
Net change in pensions		-63	-3
Net change in other provisions		36	-243
Income taxes paid		-328	-692
Cash flow from operating activities before changes in working capital		3,051	3,130
Cash flow from change in working capital			
Inventories		-277	-153
Receivables		35	-378
Liabilities		4	259
Cash flow from operating activities		2,813	2,858
Cash flow from investing activities			
Acquisition of property, plant, and equipment		-126	-124
Acquisition of intangible assets		-1,026	-3,991
Acquisition of subsidiaries after deduction of acquired cash and cash equivalents		-	-1,605
Increase in financial receivables		2	9
Sale of non-current assets		7	42
Cash flow from investing activities		-1,143	-5,669
Cash flow from financing activities			
Loans raised		3,603	10,438
Loan repayments		-4,451	-7,013
Capital contributions received from non-controlling interest		-	18
Change of financial liabilities		-80	5
Dividend to parent company shareholders		-680	-604
Cash flow from financing activities		-1,608	2,844
Cash flow for the period		62	33
Cash and cash equivalents at start of the year		140	111
Exchange-rate difference in cash and cash equivalents		-8	-4
Cash and cash equivalents at year-end	22	194	140
Interest received and paid			
Interest received		62	35
Interest paid		-435	-413
Total		-373	-378

Consolidated equity

SEK million	Attributable to parent company shareholders						Total equity
	Share capital	Other contributed capital	Other reserves	Retained earnings including profit for the year	Total	Non-controlling interests	
Opening balance, equity, Jan 1, 2011	302	8,865	-263	5,035	13,939	-14	13,925
Translation difference	-	-	4	-	4	0	4
Hedging of net investment	-	-	42	-	42	-	42
Tax on hedging of net investment	-	-	-11	-	-11	-	-11
Cash flow hedging, interest rate derivatives	-	-	-15	-	-15	-	-15
Tax on cash flow hedging, interest rate derivatives	-	-	4	-	4	-	4
Total other comprehensive income	-	-	24	-	24	-	24
Profit for the year	-	-	-	1,616	1,616	-8	1,608
Total comprehensive income	-	-	24	1,616	1,640	-8	1,632
Capital paid to non-controlling interests	-	-	-	-	-	18	18
Dividend	-	-	-	-604	-604	-	-604
Closing balance, equity, Dec 31, 2011	302	8,865	-239	6,047	14,975	-4	14,971
Opening balance, equity, Jan 1, 2012	302	8,865	-239	6,047	14,975	-4	14,971
Translation difference	-	-	-731	-	-731	1	-730
Hedging of net investment	-	-	490	-	490	-	490
Tax on hedging of net investment	-	-	-87	-	-87	-	-87
Cash flow hedging, interest rate derivatives	-	-	-38	-	-38	-	-38
Tax on cash flow hedging, interest rate derivatives	-	-	7	-	7	-	7
Total other comprehensive income	-	-	-359	-	-359	1	-358
Profit for the year	-	-	-	1,209	1,209	-29	1,180
Total comprehensive income	-	-	-359	1,209	850	-28	822
Dividend	-	-	-	-680	-680	-	-680
Closing balance, equity, Dec 31, 2012	302	8,865	-598	6,576	15,145	-32	15,113

Note 23 contains additional information on share capital, other capital contributions, and other reserves.

Note 1 Accounting policies

BASIS OF PREPARATION OF REPORTS

The consolidated accounts were prepared as per the International Financial Reporting Standards (IFRS) adopted by the EU, as interpreted by the International Financial Reporting Interpretation Committee, and the Swedish Annual Accounts Act. Recommendation RFR 1 Supplementary Accounting Rules for Groups, of the Swedish Financial Reporting Board, was also applied. The consolidated accounts were prepared using the cost method, apart from for revaluation of available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) measured at fair value via the income statement.

Preparing financial statements to conform to IFRS requires use of some critical accounting estimates. It also requires management to make certain judgments in applying Meda's accounting policies. Note 3 discloses the areas that require a more thorough assessment, are complex, or in which assumptions and estimates are very significant to the consolidated financial statements.

NEW STANDARDS, AND AMENDMENTS AND INTERPRETATIONS OF EXISTING STANDARDS

NEW AND AMENDED STANDARDS APPLIED BY THE GROUP

None of the IFRS or IFRIC interpretations, which are compulsory for the first time for the financial year that started on January 1, 2012, have had any material impact on the Group.

NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS THAT WERE NOT ADOPTED EARLY BY THE GROUP.

These new standards and amendments and interpretations of existing standards were published:

- IAS 19 "Employee benefits" (adopted by the EU) was amended in June 2011. The amendment means that the Group will cease to apply the corridor approach and instead recognize all actuarial gains and losses in other comprehensive income when they arise. Costs for service in prior years will be recognized immediately. Interest expense and expected return on plan assets will be replaced by net interest calculated using the discount rate, based on the net surplus or net deficit in the defined-benefit plan. The Group will apply the amended standard for the financial year commencing on January 1, 2013. For 2012, the change in the amended standard would have meant an increase in the net pension provision of approximately SEK 600 million including any effect of special employer's contribution, and a decrease in equity of around SEK 400 million after recognition of deferred tax assets. Other changes in the pension liability are the altered calculation of returns and the withdrawal of depreciation of actuarial gains and losses.
- IFRS 9, "Financial instruments" (not adopted by the EU) addresses classification, valuation and recognition of financial liabilities and assets. IFRS 9 was issued in November 2009 for financial assets and in October 2010 for financial liabilities. It replaces the parts of IAS 39 that relate to the classification and valuation of financial instruments. IFRS 9 stipulates

that financial instruments shall be classified in two different categories – measurement at fair value or valuation at amortized cost. Classification is established on initial recognition based on the company's business model and characteristic properties of the contractual cash flows. There are no major changes compared to IAS 39 for financial liabilities. The biggest change relates to liabilities identified at fair value. Where these are concerned, the part of the fair value change attributable to own credit risk shall be recognized in other comprehensive income instead of profit, as long as this does not give rise to inconsistencies in the accounts. The Group intends to apply the new standard for the financial year starting on January 1, 2015, and has not yet evaluated the effects.

- IFRS 13, "Fair value measurement" (adopted by the EU) aims at fair value measurements being more consistent and less complex by means of the standard offering a precise definition and a common source in IFRS for fair value measurements and related disclosure. The requirements do not extend the areas of application for when fair value shall be applied, but provide guidance for application in instances where other IFRS standards already require or allow measurement at fair value. The Group will apply the new standard for the financial year commencing on January 1, 2013. The change will have no material effect on the Group.

In addition to the above standards, certain interpretations and amendments to standards were issued that are not yet effective and are not relevant to the Group.

CHANGES IN EXTERNAL REPORTING

CHANGED SEGMENT INFORMATION

As of January 1, 2012, Meda reports three geographic regions: Western Europe, US, Emerging Markets, as well as Other Sales. The geographic segments are assessed in EBITDA, which is recognized as per the new structure. With this change, the external reporting reflects the internal control. Geographic areas as of January 1, 2012:

- Western Europe – western Europe, excluding the Baltics, Poland, Czech Republic, Slovakia and Hungary.
- US – includes Canada.
- Emerging Markets – eastern Europe, including the Baltics, Poland, Czech Republic, Slovakia, and Hungary, Turkey, the Middle East, Mexico, and other non-European markets.
- Other Sales – Revenues from contract manufacturing, services, and other income.

CONSOLIDATED ACCOUNTS

SUBSIDIARIES

Subsidiaries are all companies over which the Group has the right to draw up the financial and operating strategies generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method to recognize the Group's acquisitions of subsidiaries. The cost of a business combination comprises fair value of assets provided as payment, issued equity instruments, and liabilities arisen or assumed on the takeover date. Identifiable acquired assets as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. The excess is recognized as goodwill and consists of the difference between the cost of acquisition and the fair value of the Group's share of the identifiable net assets acquired. Acquisition-related costs are expensed in the income statement in the period when they arise.

Intra-Group transactions, balance sheet items, and unrealized gains on transactions between Group companies are fully eliminated.

SEGMENT REPORTING

Operating segments are reported in the same way as internal reporting, which is submitted to the highest executive decision maker. The highest executive decision maker is the function responsible for allocating resources and assessing the operating segments' results. In the Group this function is identified as Group management. Division into geographic markets reflects the Group's internal organization and reporting system. The markets are Western Europe, US, and Emerging Markets.

FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are valued using the currency of the economic environment in which the entity mainly operates (the functional currency). The parent company's functional and presentation currency is the Swedish krona. The Group's presentation currency is the Swedish krona.

TRANSACTIONS AND BALANCE SHEET ITEMS

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate on the reporting date. Exchange differences arising in the translations are recognized in net finance costs in the income statement, except when the transactions constitute hedges that fulfill the conditions for hedge accounting of cash flows or of net investments. In such cases gains/losses are recognized in other comprehensive income. Non-monetary assets and liabilities are normally recognized at historical cost and translated at the exchange rate that applied on the transaction date. Translation differences for non-monetary items, such as shares classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

TRANSLATION OF FOREIGN SUBSIDIARIES

Assets and liabilities in foreign operations, including goodwill and other surplus and deficit values, are translated into Swedish kronor at the exchange rate on the reporting date. Income and expenses in a foreign operation are translated into Swedish kronor at an average rate that approximates the

exchange rates on each transaction date. Translation differences arising when translating the data of foreign operations are recognized directly in the statement of other comprehensive income as a translation difference.

NET INVESTMENT IN FOREIGN OPERATION

Translation differences arising in translation of a foreign net investment and associated effects of the hedging of net investments are recognized directly in the statement of comprehensive income as a translation difference. When disposing of foreign operations, the cumulative translation differences attributable to the operation, less any currency hedging, are realized in the consolidated income statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are stated at cost of acquisition less depreciation. The cost of acquisition includes expenditures that can be related directly to acquisition of the asset.

Land is not depreciated. Depreciation on other assets to allocate their costs of acquisition down to their estimated residual values, is calculated using the straight-line method over their estimated useful lives, as follows:

Buildings	14–50 years
Machinery and plant	3–14 years
Equipment and installations	3–14 years

The assets' residual values and useful lives are reviewed on each reporting date and are adjusted if required. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (impairment).

Gains and losses on disposals are determined by comparing sales proceeds with carrying amount and are recognized in the income statement

INTANGIBLE ASSETS

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary on the date of acquisition. Goodwill on acquisition of subsidiaries is recognized in intangible assets. Goodwill is tested at least once a year for impairment and is carried at cost less accumulated impairment losses. Gains or losses on disposal of an entity include the remaining carrying amount of goodwill relating to the entity disposed of. Goodwill is allocated to cash-generating units in impairment testing.

PRODUCT RIGHTS

Product rights are carried at cost of acquisition. Product rights have a limited useful life and are carried at cost less accumulated amortization and, where appropriate, impairment losses. Amortization is used to distribute the cost of product rights over their estimated useful life, usually 10–25 years. The amortization pattern for product rights is adapted to the amount of expected earnings. The value of product rights is tested regularly to identify whether impairment exists. See also Note 16.

SOFTWARE

Acquired computer software licenses are capitalized based on the costs incurred when the specific software was acquired and brought into use. These costs are amortized over the estimated useful life of the assets, usually 3–7 years.

R&D

Research expenditure is expensed immediately. Development project expenditure (for product development) is capitalized in the Group as an intangible asset to the extent this expenditure is very likely to generate future economic benefits. Acquisition costs of such intangible assets are amortized over the estimated useful life of the assets. Other development expenditure is expensed as it occurs. Expenditure must meet stringent requirements to be recognized as an asset. With stringent requirements, Meda believes that it is not very likely that a product (drug) will generate future economic benefits before being approved by the relevant registration authority. Meda has no development projects that meet these high requirements, so no development expenditure was recognized as assets.

IMPAIRMENT

Assets that have an indefinite useful life, i.e. goodwill, are not subject to amortization but are tested annually for impairment. Assets subject to amortization are reviewed for impairment in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

FINANCIAL ASSETS

The Group classifies its financial assets into: loan and trade receivables, financial assets measured at fair value via the income statement, and available-for-sale financial assets. The classification depends on the purpose for which the instruments are used. The instruments are classified at initial recognition.

LOAN RECEIVABLES AND TRADE RECEIVABLES

Loan receivables and trade receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted on an active market. They arise when the Group provides goods or services directly to a customer with no intention of trading the receivable. They are included in current assets, except for items with maturities longer than 12 months after the reporting date; these are classified as non-current assets.

Loan and trade receivables are recognized at amortized cost using the effective interest method less any provision for decrease in value. A provision for any decrease in the value of trade receivables is made when there is objective evidence that the Group will not be able to recover all past due amounts as per the receivable's original terms. The reserved amount is recognized in the income statement.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets.

Purchases and sales of financial instruments are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are removed from the balance sheet when the right to receive cash flows from the instrument expires or is transferred and the Group has transferred virtually all risks and rewards of ownership. After acquisition, available-for-sale financial assets are recognized at fair value. Unrealized gains and losses arising from changes in the fair value of instruments classified as available-for-sale are recognized in other comprehensive income. When instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as income/costs from financial instruments.

The company performs an assessment on each reporting date of whether there is objective evidence that a financial asset or group of financial assets are impaired

FINANCIAL LIABILITIES

Financial liabilities are recognized when the Group is party to the instrument's contractual terms. Financial liabilities are removed from the balance sheet when the liability is eliminated through completion, annulment or termination of the agreement. The Group classifies its financial liabilities in the categories financial liabilities measured at fair value via the income statement and other financial liabilities.

BORROWINGS

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently recognized at amortized cost; any difference between the proceeds received (net of transaction costs) and the repayment amount is recognized in the income statement over the loan period, using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the reporting date.

TRADE PAYABLES

Trade payables are initially recognized at fair value and thereafter at amortized cost using the effective interest method.

DERIVATIVES AND HEDGING

Derivatives are recognized on the balance sheet on the contract day at fair value, both initially and in subsequent revaluations. The method of recognizing gain or loss from revaluation depends on whether the derivative is designated as a hedging instrument and whether it also fulfills the hedge accounting criteria of IAS 39. Meda holds derivatives that do and those that do not qualify for hedge accounting.

Fair value disclosure for various derivatives used for hedging purposes can be found in Notes 2 and 21 of the consolidated accounts. Changes in

the hedge reserve in equity are specified in Note 23. Derivatives are classified as a non-current asset or non-current liability if the time to maturity exceeds 12 months. If the time to maturity is less than 12 months, the derivative is classified as a current asset or current liability.

CASH FLOW HEDGES

The effective part of changes in fair value of the Group's interest rate derivatives that are identified as cash flow hedges and meet the requirements for hedge accounting according to IAS 39 is recognized in other comprehensive income. The gain or loss attributable to the ineffective part is recognized immediately in the income statement as financial income or cost.

Certain transactions are hedged through currency forward contracts. The Group does not meet the requirements for hedge accounting according to IAS 39 regarding currency forward contracts. Changes in fair value are recognized as financial income or cost in the income statement.

HEDGING OF NET INVESTMENT

Hedging of net investments in foreign operations is recognized in the same way as cash flow hedges. The effective part of changes in fair value of the Group's hedging instruments is recognized in other comprehensive income. The gain or loss attributable to the ineffective part is recognized in the income statement. Accumulated gains and losses in equity are recognized in the income statement when foreign operations are disposed of in whole or in part.

FAIR VALUE HEDGES

Certain loans are hedged through currency forward contracts. The Group does not meet the requirements for hedge accounting according to IAS 39 regarding currency forward contracts. Changes in fair value are recognized as financial income or cost in the income statement.

INVENTORIES

Inventories are carried at the lower of the cost of acquisition (weighted average price) and net realizable value. Acquisition costs consist of raw materials, direct labor, freight, other direct costs, and related indirect costs of production. The net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash and bank balances, and other current investments with maturities of less than three months. Utilized bank overdrafts are recognized as borrowings among current liabilities on the balance sheet.

EQUITY

Transaction costs directly attributable to the issue of new shares or options are recognized, net after tax, in equity as deductions from the issue proceeds.

TAXES

Income taxes comprise current and deferred tax. Income taxes are recognized in the income statement apart from when the underlying transaction is recognized directly in equity, in which case the related tax effect is recognized in equity.

Current tax is tax that will be paid or received for the current year, applying the tax rates enacted or substantially enacted on the reporting date. This includes adjustment of current tax attributable to prior periods.

Deferred tax is recognized in full using the balance sheet liability method, on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is determined using the tax rates and tax rules enacted or substantially enacted by the reporting date and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets regarding deductible temporary differences and loss carry-forwards are only recognized where it is probable that they will be used and will result in lower future tax payments.

EMPLOYEE BENEFITS

PENSION OBLIGATIONS

The Group has defined-benefit and defined-contribution pension plans. A defined-benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, or salary. A defined-contribution plan is a pension plan under which fixed contributions are paid into a separate legal entity.

The liability recognized on the balance sheet regarding defined-benefit pension plans is the present value of the defined-benefit obligation on the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash flows using interest rates of first-class corporate bonds or government bonds that are issued in the currency in which the benefits will be paid and that have terms to maturity comparable to the terms of the related pension liability.

Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets and 10% of the defined-benefit obligation are recognized as expense or income over the employees' expected average remaining working lives.

Past-service costs for previous periods are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period (the vesting period). In such cases, the past-service costs for previous periods are allocated on a straight-line basis over the vesting period.

SHARE-BASED PAYMENT

IFRS 2 distinguishes between payment that is settled with cash and payment that is settled with equity instruments. The fair value of equity-settled share-

based payment is determined on the allocation date, and the difference between this value and the payment the employee makes for the options is recognized as a cost over the vesting period with equity as the offsetting entry. No costs were recognized for allocations of subscription rights made to employees thus far since the payment received has corresponded to the fair value of the options.

For the cash-settled program, the fair value is distributed, including social security costs, during the vesting period. The change in fair value including social security costs is recognized as income/expense on an ongoing basis as a staff cost and is brought forward as a provision.

PROVISIONS

Provisions for restructuring costs and statutory requirements are recognized when the Group has a present legal or informal obligation because of past events. It is more likely than not that an outflow of resources will be required to settle the obligation and the amount was reliably estimated. Restructuring provisions comprise lease termination penalties and severance pay. No provisions are made for future operating losses.

The provisions are valued at the present value of the amount expected to be required to settle the obligation. The discount interest rate reflects a current market estimate of the time value of money and the risks associated with the provision. The increase in the provision dependent on the passing of time is recognized as interest expense.

REVENUE RECOGNITION

Revenue consists of the fair value of goods and services sold excluding value-added tax and discounts after eliminating sales within the Group. Revenue is recognized as:

(a) Sale of goods and outsourcing

Sales of goods and outsourcing are recognized as revenue when a Group company has delivered products to a customer, the customer has accepted the products, and recoverability of the related receivables is reasonably assured.

(b) Sales of services and other income

Sales of services are recognized as revenue in the accounting period in which the services are rendered.

(c) Interest income

Interest income is recognized as revenue on a time-proportion basis using the effective interest method.

(d) Royalty income

Income from royalties is accrued as per the relevant agreement's financial implications.

LEASING

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term (after deductions for incentives from the lessor) are recognized as expense in the income statement on a straight-line basis over the lease term. When lease agreements denote that the company, as a lessee, in essence enjoys the economic advantages and carries the economic

risks attributable to the lease object (finance lease), the object is recognized as a non-current asset on the consolidated balance sheet. The discounted present value of corresponding obligations to make lease payments in the future is recognized as a liability. Lease payments made are recognized in the consolidated income statement divided between depreciation and interest.

DIVIDEND

Dividends to the parent company's shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the parent company's shareholders.

EARNINGS PER SHARE

Calculation of basic earnings per share is based on consolidated profit for the year attributable to parent company shareholders, divided by the weighted average number of outstanding ordinary shares during the year.

When calculating diluted earnings per share, the average number of outstanding ordinary shares is adjusted where appropriate to take into account the effects of diluting potential ordinary shares. There were no potential diluted ordinary shares in 2012. The dilutive effect of potential ordinary shares is only recognized if a conversion to ordinary shares would lead to a reduction in diluted earnings per share.

Further information is provided in Note 14 of the consolidated accounts.

OTHER INFORMATION

The financial statements are reported in SEK million unless otherwise stated. Some tables may not add up because figures were rounded off.

Note 2 Financial risks

The Group is exposed to various financial risks through its operations. Meda's management of these risks is centralized to the Group's internal bank and is regulated in the Group's financial policy. The objective is to identify, quantify, and keep risks of adverse impact on the Group's income statements, balance sheets, and cash flows at suitable levels.

CURRENCY RISK

TRANSACTION EXPOSURE

Transaction exposure is the risk of impact on the Group's net income and cash flow due to change in the value of commercial flows in foreign currencies in conjunction with exchange rate fluctuations. Meda has sales through its subsidiaries in around 50 countries. Sales to other countries occur as export in the customers' local currency. Purchases are mainly made in EUR, GBP, USD, and SEK. So in all, the Group is continually exposed to transaction risk; this exposure is relatively limited. On December 31, 2012, currency derivatives that hedged transaction exposure had a net fair value of SEK 7 million (13). Hedge accounting is not applicable to these transactions, which means that the fair value is carried to the income statement.

TRANSLATION EXPOSURE - BALANCE SHEET

Most of the Meda Group's operations are conducted in subsidiaries outside of Sweden in accounting currencies other than SEK. Translation exposure

arises in the Group for net investments in foreign operations. Meda's translation exposure is for the most part in EUR and USD. The Group hedges risk partially by taking external loans and contracting for currency swaps in the respective currency. Hedge accounting in accordance with IAS 39 is applied for these hedging transactions. Translation differences recognized in other comprehensive income in 2012 that relate to net investments in foreign operations amounted to SEK –730 million (4), and exchange gains from hedging instruments for net investments amounted to SEK 403 million (31) after tax.

TRANSLATION EXPOSURE - INCOME STATEMENT

Group sales are generated principally in currencies other than SEK. Changes in exchange rates therefore have a significant effect on the consolidated income statement since consolidation in the foreign subsidiaries' income statements is in SEK. This exposure is not hedged, because the subsidiaries mainly work in local currencies; exchange rate fluctuations thus have no impact on competition or margins.

The next table shows the annual theoretical translation effect on Meda's net sales and earnings before tax. Calculated effects are based on recognized figures for 2012. The average EUR/SEK exchange rate for 2012 was 8.7041, and 6.7747 for USD/SEK.

On December 31, 2012

Parameter	Change, %	Effect on net sales, SEK million	Effect on profit before tax, SEK million
EUR/SEK	+/- 1	+/- 73	+/- 22
USD/SEK	+/- 1	+/- 21	+/- 5
Other currencies/SEK	+/- 1	+/- 22	+/- 6

On December 31, 2011

Parameter	Change, %	Effect on net sales, SEK million	Effect on profit before tax, SEK million
EUR/SEK	+/- 1	+/- 66	+/- 17
USD/SEK	+/- 1	+/- 31	+/- 11
Other currencies/SEK	+/- 1	+/- 20	+/- 6

INTEREST RATE RISK

Interest risk refers to the risk that changes in general interest rates may have an adverse effect on the Group's net profit/loss. The time taken for interest rate fluctuations to affect net earnings depends on the fixed interest period for the loan. As per Group policy, the loan portfolio's fixed interest period, on average, should be between 3 and 15 months. On average, this period was four months on December 31, 2012.

Meda uses interest rate swaps to extend/shorten the period of fixed interest on underlying loans. As per Group policy, the duration of an interest

rate swap may not exceed five years. Hedge accounting is applied to these transactions, and fair value is charged to other comprehensive income. In 2012, interest rate swaps had an impact on other comprehensive income of SEK –31 million (–11) from cash flow hedging after tax. The fair value included in the consolidated balance sheet for interest rate swaps as of December 31, 2012 was a net amount of SEK –56 million (–17).

On December 31, 2012, Group borrowings of SEK 14,947 million were mainly distributed as: EUR 949 million (SEK 8,143 million), USD 715 mil-

lion (SEK 4,648 million), and SEK 1,804 million. The average interest rate including credit margins on December 31, 2012 was 3.0% (3.4). Interest expense for 2013 for this loan portfolio at unchanged interest rates would thus amount to SEK 448 million. If interest rates change instantaneously +/- 1%, Meda's interest expense would be affected by +/- SEK 120 million on an annual basis, taking into account the loan amounts and fixed interest rates that existed on December 31, 2012. Further information can be found in Note 24, Borrowings.

REFINANCING RISK

Refinancing risk is the risk that the refinancing of a maturing loan is not feasible, and the risk that refinancing must be done during unfavorable market conditions at unfavorable interest rates. Meda seeks to limit refinancing risk by spreading the maturity structure of the loan portfolio over time and spreading financing over several counterparties. On December 31, 2012, Meda had almost SEK 23 billion (23) in available credit facilities. Syndicated bank loans with nine Swedish and foreign banks form the basis for the Group's debt financing. In recent years, Meda diversified its financing sources. In May 2008, a Swedish commercial paper program was established with an upper limit of SEK 2 billion; as of December 31, 2012, the outstanding volume in this program amounted to SEK 660 million (1,720). In December 2009, a bond for SEK 4,266 million was issued, which for the most part was guaranteed by EKN, the Swedish Export Credit Guarantee Board. In 2012, Meda established a Swedish MTN program with an upper limit of SEK 7 billion, and the first issue was carried out under this program in June. This issue amounted to SEK 500 million, with a term of three years.

On December 31, 2012, confirmed facilities consisted of the following credit facilities (in chronological order according to maturity):

- Credit facility with two Nordic banks amounting to SEK 1,000 million, maturing in March 2013.
- Bilateral bank loan of SEK 1,000 million, maturing in March 2014.
- Bilateral bank loan of SEK 500 million, maturing in March 2014.
- Bond loan of SEK 4,266 million, maturing in December 2014.
- Bond loan of SEK 500 million, maturing in June 2015.
- Credit facility of SEK 2,000 million with four Nordic banks, maturing in November 2015.
- Credit facility with nine banks amounting to SEK 13,300 million, maturing 2015–2017.
 - SEK 3,627 million, maturing in March 2015.
 - SEK 5,200 million, maturing in March 2016.
 - SEK 4,473 million, maturing in March 2017.

The syndicated credit facilities are available provided that Meda meets certain financial key ratios concerning net debt in relation to EBITDA, and net debt in relation to equity and interest coverage ratio.

LIQUIDITY RISK

The Group's current liquidity is covered by a liquidity reserve (cash and bank balances, current investments, and the unused portion of confirmed credit facilities) that in the long term is to amount to at least 5% of the Group's annual sales. On December 31, 2012, the liquidity reserve stood at SEK 7,966 million, corresponding to 61% of sales for 2012.

The next table shows the contractually agreed undiscounted cash flows from the Group's financial liabilities and net settled derivatives that constitute financial liabilities classified by the time that, on the closing date, remained until the contractually agreed maturity date. For derivatives with a variable interest rate, the variable rate that applied to each derivative on December 31, was used for the entire period to maturity.

On December 31, 2012, SEK million	< 1 year	1–2 years	2–5 years	> 5 years from the reporting date
Borrowings	2,130	10,007	3,661	–
Derivatives	26	19	22	–
Trade payables	900	–	–	–
Other liabilities	56	–	–	–
Accrued expenses	64	–	–	–

On December 31, 2011, SEK million	< 1 year	1–2 years	2–5 years	> 5 years from the reporting date
Borrowings	2,353	3,939	12,291	–
Derivatives	5	14	10	–
Trade payables	878	–	–	–
Other liabilities	85	–	–	–
Accrued expenses	95	–	–	–

The Group's financial derivatives, which will be settled gross, comprised various currency forward contracts on the reporting date (see also Note 21). On the reporting date, the contractually agreed undiscounted cash flows from these instruments, maturing within 12 months, stood at SEK –10,535 million and SEK 10,560 million respectively (SEK –21,267 million and SEK 21,566 million respectively).

CREDIT RISK

The Group's financial transactions lead to credit risks in relation to financial counterparties. According to Meda's financial policy, financial transactions may only be conducted with the Group's financing banks, or banks with a high official rating corresponding to Standard & Poor's long-term A– rating or better. Investments in cash and cash equivalents can only be made in government securities or with banks that have a high official rating.

Credit risk exists in the Group's cash and cash equivalents, derivatives, and cash balances with banks and financial institutions and in relation to distributors and wholesalers, including outstanding receivables and committed transactions.

Meda's sales are mainly to large, established distributors and wholesalers with robust financial strength in each country. Since sales occur in several countries and to many different customers, the Meda Group has good risk distribution. Meda follows up granted credits continually.

Group assets that entail credit risk are reported in Notes 20, 21, and 22.

CAPITAL RISK

The Meda Group's capital structure goal is to secure the company's ability to continue its operations with the aim of generating return to shareholders and benefit for other stakeholders. The goal is also to keep the costs of capital down, through an optimal capital structure.

Capital in the Meda Group is judged on the basis of the Group's equity/assets ratio. The Group's long-term goal is an equity/assets ratio of 30%. New shares may be issued to maintain the capital structure in conjunction with major acquisitions. The equity/assets ratio on December 31, 2012 and 2011:

SEK million	2012	2011
Equity	15,113	14,971
Total assets	36,555	38,718
Equity/assets ratio, %	41.3	38.7

Note 3 Important estimates and assessments for accounting purposes

Estimates and assessments are evaluated continually and are based on historic experience and other factors, including expectations of future events that are judged reasonable under prevailing conditions.

Meda makes estimates and assumptions about the future. The resulting estimates for accounting purposes, by definition, rarely correspond to actual results. The estimates and assumptions that involve risk of significant adjustments to carrying amounts for assets and liabilities during coming financial years are discussed in the following sections.

ACQUISITIONS

When making acquisitions, Meda makes a judgment, with reference to IFRS 3 Business Combinations, as to whether the transaction is a business combination or an acquisition of assets.

When a transaction is regarded as a business combination, all identifiable assets and liabilities in the acquired company are identified and valued at fair value. When the fair value cannot be calculated in a reliable manner, the value is included in goodwill.

When a transaction is regarded as an acquisition of assets, the individually identifiable assets and assumed liabilities are identified and recognized. The cost of acquisition is allocated to the individual assets and liabilities based on their relative fair values on the acquisition date. An acquisition of assets does not give rise to goodwill.

IMPAIRMENT TESTING OF GOODWILL

The Group conducts regular impairment testing of goodwill, as per the principle described in Note 1. Recoverable amounts for cash-generating units were established through measurement of their value in use. Certain estimates must be made for these measurements (Note 16).

PENSIONS AND SIMILAR OBLIGATIONS

Provisions and expenses for post-employment benefits, mainly pensions and health care benefits, depend on the assumptions made when the amounts are calculated. Special assumptions and actuarial measurements are made based on significant estimates of discount rates, expected return on plan assets, cost trends for health care, inflation, salary increase trends, staff turnover, mortality and other factors.

The discount rate for each country is established on the basis of the market rate of first-class corporate bonds and takes into account the estimated time to maturity of each obligation. In countries where there is no functioning market for such bonds, the market rate for government bonds or mortgage bonds is used.

In Sweden, Meda has used Swedish mortgage bonds to establish the Swedish discount rate. The market for Swedish mortgage bonds is considered to be first-class (AAA or AA) and liquid, therefore satisfying the requirements stipulated in IAS 19. In Germany and the US, Meda uses first-class corporate bonds to establish the discount rate.

Expected return on plan assets takes into account long-term historic return on long-term investments. Inflation assumptions are based on analyzing external market indicators. Assumptions on salary increase trends reflect expected payroll expense trends. Staff turnover reflects the average long-term staff turnover at Meda. Mortality is primarily based on official mortality statistics. Meda reviews actuarial assumptions annually and adjusts them where considered suitable. Outcomes that deviate from forecasts are accumulated and amortized over future time periods. See Note 25 for further information on expenses and assumptions for post-employment benefits.

On December 31, 2012, provisions for post-employment benefits were SEK 696 million.

PRODUCT RIGHTS

Valuation of product rights depends on certain assumptions. These assumptions refer to forecasts of future sales revenue, contribution margin, and expenses for each product. Assumptions also refer to discount rates, product life, and royalty rates. Meda's maximum amortization of product rights is 25 years. A need to re-assess the valuation of product rights cannot be ruled out, which may have a major impact on Meda's financial situation and results. On December 31, 2012 the value of product rights totaled SEK 16,563 million.

TAXES

Deferred tax assets are recognized to the extent it is judged likely that loss carry-forwards will entail lower future tax payments. Regarding the non-capitalized carry-forwards of unused tax losses of about SEK 183 million (182) that accompanied the acquired German operation, Meda has judged that it is uncertain whether they will be used. This judgment is based on complicated regulations and not the German subsidiary's expected earning capacity.

Note 4 Segment information

Group management assesses operations from a geographic perspective. Earnings per geographic area are assessed on the basis of EBITDA (earnings before interest, taxes, depreciation, and amortization). On December 31, 2012, the Group was organized in three geographic areas: Western Europe, the US, and Emerging Markets.

2012	Western Europe	US	Emerging Markets	Other Sales	Total
SEK million					
Segment's sales	10,057	2,508	1,834	224	14,623
Sales between segments	-1,605	-27	—	—	-1,632
External net sales	8,452	2,481	1,834	224	12,991
EBITDA	3,088	1,141	410	-704	3,935
Depreciation and amortization					-2,144
Finance income					107
Finance costs					-655
Profit after financial items	3,088	1,141	410	-704	1,243

2011	Western Europe	US	Emerging Markets	Other Sales	Total
SEK million					
Segment's sales	8,626	2,656	1,633	535	13,450
Sales between segments	-574	-20	—	—	-594
External net sales	8,052	2,636	1,633	535	12,856
EBITDA	3,150	1,394	432	-293	4,683
Depreciation and amortization					-2,039
Finance income					92
Finance costs					-696
Profit after financial items	3,150	1,394	432	-293	2,040

The company is based in Sweden. Total non-current assets, other than financial instruments and deferred tax assets located in Sweden, amount to SEK 11,204 million (10,753) and the total of such non-current assets located in other countries is SEK 20,010 million (22,364).

Revenues from external customers in Sweden amount to SEK 1,352 million (1,119) and total revenues from external customers in other countries amount to SEK 11,639 million (11,737). A breakdown of net sales by income type is found in Note 5.

GEOGRAPHIC AREAS

Western Europe includes western Europe, excluding the Baltics, Poland, Czech Republic, Slovakia, and Hungary. The US comprises the US and Canada, and Emerging Markets includes eastern Europe, including the Baltics, Poland, Czech Republic, Slovakia, and Hungary, Turkey, the Middle East, Mexico, and other non-European markets. Other Sales concern revenues from contract manufacturing, services, and other income.

Note 5 Net sales disclosed by type

SEK million	2012	2011
Goods sold	12,206	11,856
Revenue from contract manufacturing	141	145
Royalties	544	353
Other	100	502
Total	12,991	12,856

Note 6 Expenses by type

SEK million	2012	2011
Changes in stock of finished goods and work in progress	138	–14
Raw materials and consumables	1,600	1,420
Goods for resale	2,147	2,415
Staff costs	1,806	1,712
Depreciation and amortization	2,144	2,039
Other expenses	3,365	2,640
Total cost of sales, selling expenses, medicine and business development expenses, and administrative expenses	11,200	10,212

Note 7 Personnel, number of employees

	2012			2011		
	Average no. of employees		No. of employees On December 31 ¹⁾	Average no. of employees		No. of employees On December 31 ²⁾
	Women	Men		Women	Men	
Germany	339	298	648	321	282	618
US	282	254	572	275	255	524
France	215	160	377	218	157	378
Russia	95	32	123	50	18	79
Sweden	92	48	112	104	41	149
Turkey	17	89	106	21	65	89
Italy	63	37	94	80	47	127
Spain	67	33	90	66	34	100
China	25	29	80	–	–	–
UK	34	43	76	35	34	72
Belgium	30	26	57	30	27	54
Mexico	21	28	49	–	–	–
Ukraine	28	18	47	16	9	25
Netherlands	23	19	41	20	16	36
Poland	20	19	40	16	20	36
United Arab Emirates	11	28	39	5	25	30
Austria	16	20	37	14	18	35
Portugal	21	17	37	21	19	38
Finland	15	9	30	15	11	25
Denmark	21	4	28	27	5	25
Kazakhstan	16	3	24	14	3	15
Balkans	20	17	24	13	8	23
Norway	13	7	23	13	6	18
Switzerland	13	6	22	13	6	20
Baltics	20	2	21	16	2	20
Greece	9	12	18	6	11	22
Czech Republic	10	4	14	10	2	14
Slovakia	8	6	14	11	6	15
South Africa	9	6	14	1	2	3
Ireland	4	9	13	4	9	13
Hungary	10	1	11	9	1	10
Belarus	8	4	11	3	5	10
Luxembourg	2	2	4	–	–	–
Brazil	1	0	3	–	–	–
Australia	1	0	1	–	–	524
	1,579	1,290	2,900	1,447	1,144	2,623
Total	2,869			2,591		

¹⁾ Additional 222 limited-term employees in: Turkey 71, Germany 61, US 29, Russia 15, Sweden 12, Belgium 6, France 6, Hungary 6, Netherlands 5, Denmark 3, United Arab Emirates 3, Kazakhstan 2, South Africa 2, Ukraine 1.

²⁾ Additional 161 limited-term employees in: Turkey 47, Germany 38, US 23, Italy 13, Sweden 12, Belgium 5, United Arab Emirates 5, Hungary 5, Mexico 4, France 3, Netherlands 3, Kazakhstan 1, Russia 1, Switzerland 1.

GENDER DISTRIBUTION IN MEDA MANAGEMENT

	2012		2011	
	Women	Men	Women	Men
Boards ³⁾	6	88	4	88
CEO and other senior executives ⁴⁾	5	36	4	37
Total	11	124	8	125

³⁾ Boards of the Group's operating companies.

⁴⁾ Group management and regional and country/national management.

Note 8 Salaries, other remuneration, and social security costs

TOTAL SALARIES, SOCIAL SECURITY COSTS AND PENSIONS

SEK million	2012			2011		
	Salaries and other remuneration	Social security costs	Of which pension costs	Salaries and other remuneration	Social security costs	Of which pension costs
	1,433	400	127	1,343	397	121
Pension costs						
- Defined-contribution plans			57			51
- Defined-benefit plans			64			66
- Defined-benefit post-employment health care plans			6			4
Total			127			121

SALARIES AND OTHER REMUNERATION

SEK million	2012				2011			
	Salary/ board fee	Of which variable pay	Pension costs	Average no. of people	Salary/ board fee	Of which variable pay	Pension costs	Average no. of people
Board, CEO and other executives ¹⁾	92	30	8	41	88	28	5	41
Other employees	1,341	141	119	2,828	1,255	164	116	2,550
Total	1,433	171	127	2,869	1,343	192	121	2,591

¹⁾ Board of the parent company, Group management, and regional and country/national management.

SENIOR EXECUTIVES' BENEFITS

BOARD AND COMMITTEES

The annual general meeting (AGM) decides on fees for the chairman and members of the board. The nomination committee receives no remuneration.

CEO

The CEO's employment contract has a ceiling, which means that Meda's total costs for the CEO (salary, bonus, pension provisions, other benefits, social security costs, and other taxes or fees) must not exceed SEK 30 million for 2012. In 2012 his base salary was SEK 9.5 million, variable performance-based pay comprised SEK 10.0 million, and pension costs totaled SEK 7.5 million. Car benefit is additional. Meda's total costs for the CEO in 2012 reached SEK 30 million. A variable bonus is payable of 1% of the consolidated profit before tax. Bonuses and salaries are pensionable remuneration. The CEO's pension is premium-based, and Meda does not have any other pension obligations besides those stated here. Annual premium payments amount to 35% of pensionable remuneration up to 20 basic amounts and 25% of the portion that exceeds 20 basic amounts. The CEO is entitled to convert expensed but unused pension benefits to the same amount in gross salary. The CEO's employment contract runs through June 30, 2014. If the CEO is forced to leave his position during the agreed employment period due to illness, termination by the company, or a change in the employment due to restructuring, the CEO is entitled to full financial compensation during the remainder of his employment period, i.e., until June 30, 2014 inclusive, in return for being fully at the service of the com-

pany. In such cases the variable pay will be based on the outcome of the previous financial year. If the CEO terminates his contract during the agreed employment period, a six-month period of notice applies, with right to full compensation for the part of the year during which the CEO was employed. All the company's obligations cease after this time.

OTHER SENIOR EXECUTIVES

The guidelines for remuneration to other senior executives shall reflect Meda's need to be able to recruit and motivate qualified employees via compensation that is competitive in various countries. Other senior executives include the Chief Operating Officer and Chief Financial Officer. The policies for remuneration/compensation and other employment terms mean that Meda shall strive to offer its senior executives market-based remuneration/compensation, subsequent criteria shall be based on significance of responsibilities, competence requirements, experience, and performance, and remuneration consists of:

- Fixed basic salary.
- Short-term variable pay.
- Long-term variable pay.
- Pension benefits.
- Other benefits and severance terms and conditions.

The policies are in agreement with remuneration policies of previous years and are mainly based on agreements already entered into between Meda and senior executives. Distribution between basic salary and variable pay must be in proportion to the executive's responsibility and authority levels.

REMUNERATION AND BENEFITS TO BOARD AND SENIOR EXECUTIVES

2012

SEK million	Fixed basic salary/ board fee	Variable pay	Other benefits	Pension	Other benefits	Total
Anders Lönner, CEO	9.5	10.0	0.2	7.5 ¹⁾	–	27.2
Bert-Åke Eriksson, board chairman ²⁾	0.8	–	–	–	–	0.8
Peter Claesson, board member ²⁾	0.4	–	–	–	–	0.4
Marianne Hamilton, board member ²⁾	0.4	–	–	–	–	0.4
Peter von Ehrenheim, board member	0.3	–	–	–	–	0.3
Tuve Johannesson, board member ²⁾	0.4	–	–	–	–	0.4
Maria Carell, board member ³⁾	0.1	–	–	–	–	0.1
Anders Waldenström, board member ³⁾	0.1	–	–	–	–	0.1
Lars Westerberg, board member	0.2	–	–	–	–	0.2
Other senior executives (2 persons)	6.8	3.5	0.3	2.7	–	13.3
Total	19.0	13.5	0.5	10.2	–	43.2

2011

SEK million	Fixed basic salary/ board fee	Variable pay	Other benefits	Pension	Other benefits	Total
Anders Lönner, CEO	9.3	10.2	0.2	7.5 ¹⁾	–	27.2
Bert-Åke Eriksson, board chairman ²⁾	0.8	–	–	–	–	0.8
Peter Claesson, board member ²⁾	0.3	–	–	–	–	0.3
Marianne Hamilton, board member ²⁾	0.3	–	–	–	–	0.3
Peter von Ehrenheim, board member	0.2	–	–	–	–	0.2
Tuve Johannesson, board member ²⁾	0.4	–	–	–	–	0.4
Maria Carell, board member	0.2	–	–	–	–	0.2
Anders Waldenström, board member	0.3	–	–	–	–	0.3
Other senior executives (2 persons)	6.5	3.5	0.2	2.7	–	12.9
Total	18.3	13.7	0.4	10.2	–	42.6

¹⁾ The CEO used his right to convert his pension benefit into salary, as per his employment contract.²⁾ Including fee received for board committee work.³⁾ Stepped down as board member in 2012.

INCENTIVE PROGRAM IN THE US

In 2008 Meda introduced a long-term incentive program including synthetic options for employees in the US. In 2011 the program was adjusted and the maximum total cost including social security fees for the program was reduced from USD 6 million to USD 3 million. The incentive program closed at the end of 2011 and has not been replaced. All outstanding options were allocated in 2011. The premium for the options is USD 0, and the redemption price per option is 100% of the average price paid for the Meda share in January 2011. The redemption period is five years and expires on December 31, 2015. Those wishing to redeem options must still be Meda employees. The total cost for 2012 recognized in the income statement is USD 0.2 million (0.2).

PREPARATION AND DECISION PROCESS

Issues concerning remuneration to Group management shall be prepared by the remuneration committee and be determined by the board.

Note 9 Fees and remuneration to auditors

The next table shows the financial year's expensed auditing fees and expensed fees for other assignments that the Group's auditors performed.

SEK million	2012	2011
PwC		
Audit assignment ¹⁾	10	10
Tax consulting	2	1
Other services	0	1
Total	12	12

¹⁾ Auditing fees refers to fees for the statutory audit, i.e., such work that was necessary to issue the auditor's report and audit advice given in connection with the audit assignment.

Fees for auditing services other than regular auditing assignments amount to SEK 1 million (1).

Note 10 Operating leases

SEK million	2012	2011
Leasing expensed during the financial year	162	152
The nominal value of future minimum lease payments regarding non-cancelable leases is distributed as follows:		
Payable within 1 year	142	150
Payable within 1–5 years	208	232
Payable after 5 years	8	7
Total	358	389

The largest proportion of the lease payments is for rent of premises in five of Meda's companies. An operating lease covering office rent in Bad Homburg, Germany, was entered into in 2004. The agreement runs through 2014 with the option of a five-year extension. In 2011, Meda AB entered into an operating lease regarding offices in Sweden for the period January 1, 2011 until December 31, 2015. In the US, the lease for offices runs through 2015.

Meda has leases in place for offices in France expiring 2015–2016. In the UK, Meda has leases for offices running until 2012–2018. Operating leases for sales representatives' cars also account for a large portion of the Meda Group's lease expenses. These leases span three to four years.

Note 11 Exchange gains/losses, net

SEK million	2012	2011
Finance income/costs (see Note 12)	–33	36
Total	–33	36

Note 12 Finance income and finance costs

SEK million	2012	2011
Finance income		
Interest	107	56
Exchange gains (see Note 11)	–	36
Total finance income	107	92
Finance costs		
Interest	–557	–601
Exchange losses (see Note 11)	–33	–
Finance leases	–1	–1
Costs of raising loans	–34	–84
Other finance income	0	–
Other finance costs	–30	–10
Total finance costs	–655	–696

Note 13 Tax

SEK million	2012	2011
Current tax expense		
Current tax for the year	–393	–609
Current tax attributable to prior years	–37	130
Total	–430	–479
Deferred tax expense		
Deferred tax (see Note 17)	367	47
Total	–63	–432

Tax expense constituted 5.1% (21.2) of profit before tax.

The difference between the recognized tax expense and the consolidated profit before tax calculated using the local tax rate for Sweden (26.3%) is illustrated in the table below.

The tax rate in Sweden has been reduced to 22%, effective from January 1, 2013. This has meant that deferred taxes attributable to Sweden have been revalued and generated non-recurring revenue of SEK 179 million.

SEK million	2012	2011
Reconciliation of effective tax		
Profit before tax	1,243	2,040
Tax as per applicable tax rate for parent company, %	26.3	26.3
Effect of other tax rates for foreign subsidiaries, %	–8.4	–1.3
Effect of utilization of a non-capitalized loss carry-forward, %	0.0	–6.3
Other non-deductible expenses, %	2.8	1.7
Effect of changed tax rates, %	–14.4	0.0
Tax attributable to prior years, %	–1.2	0.8
Recognized effective tax, %	5.1	21.2

Note 14 Earnings per share

Basic earnings per share			Diluted earnings per share		
	2012	2011		2012	2011
Profit attributable to parent company shareholders, SEK million	1,209	1,616	Profit attributable to parent company shareholders, SEK million	1,209	1,616
Average no. of shares (thousands)	302,243	302,243	Average no. of shares (thousands)	302,243	302,243
No. of shares in calculation of basic earnings per share (thousands)	302,243	302,243	No. of shares in calculation of diluted earnings per share (thousands)	302,243	302,243
Basic earnings per share (SEK)	4.00	5.35	Diluted earnings per share (SEK)	4.00	5.35

BASIC AND DILUTED EARNINGS PER SHARE

Calculation of earnings per share was based on net profit for the year after tax attributable to parent company shareholders in relation to a weighted average number of outstanding shares totaling 302,243,065 (302,243,065). There are no potential diluted ordinary shares.

Note 15 Property, plant, and equipment

SEK million	2012					2011				
	Buildings and land	Machine-ry/plant	Equip-ment and instal-lations	Construc-tion in progress	Total	Buildings and land	Machine-ry/plant	Equip-ment and instal-lations	Construc-tion in progress	Total
Opening cost of acquisition	673	787	537	47	2,044	660	783	510	20	1,973
Investments	9	39	38	40	126	13	32	36	43	124
Sales/disposals	–	–11	–35	–1	–47	–3	–38	–19	–1	–61
Acquired operation	–	–	–	–	–	1	2	5	–	8
Reclassification	6	12	10	–29	–1	2	7	5	–16	–2
Translation difference	–25	–30	–16	–2	–73	–	1	–	1	2
Closing cost of acquisition	663	797	534	55	2,049	673	787	537	47	2,044
Opening depreciation	–290	–532	–411	–	–1,233	–279	–520	–386	–	–1,185
Sales/disposals	–	10	32	–	42	3	31	18	–	52
Year's depreciation	–15	–46	–43	–	–104	–14	–44	–42	–	–100
Translation difference	7	18	16	–	41	–	1	–1	–	0
Closing depreciation	–298	–550	–406	–	–1,254	–290	–532	–411	–	–1,233
Carrying amount at year-end	365	247	128	55	795	383	255	126	47	811
Depreciation per function:										
Cost of sales	–7	–35	–9	–	–51	–7	–35	–8	–	–50
Selling expenses	–	–1	–7	–	–8	–	0	–7	–	–7
Medicine and business development expenses	–1	–1	–4	–	–6	–1	–1	–4	–	–6
Administrative expenses	–7	–9	–23	–	–39	–6	–9	–22	–	–37
Total	–15	–46	–43	–	–104	–14	–45	–41	–	–100

FINANCE LEASES

The Group's property, plant, and equipment includes objects held via finance leases as follows:

SEK million	Cost of acquisition		Accumulated depreciation and amortization	
	2012	2011	2012	2011
Machinery and plant	91	78	–56	–48
Total	91	78	–56	–48

Future minimum lease payments have these due dates:

SEK million	Nominal values		Present values	
	2012	2011	2012	2011
0–1 year	6	6	6	6
1–5 years	3	3	3	3
Total	9	9	9	9

The income statement includes depreciation and finance costs for finance leases as follows:

SEK million	2012	2011
Machinery and plant	10	9
Total	10	9

Note 16 Intangible assets

SEK million	2012				2011			
	Goodwill	Product rights	Other assets ¹⁾	Total	Goodwill	Product rights	Other assets ¹⁾	Total
Opening cost of acquisition	14,361	25,647	126	40,134	13,235	20,723	110	34,068
Investments	–	1,002	24	1,026	–	3,970	21	3,991
Sales/disposals	–	–	–2	–2	–	–41	–3	–44
Acquired operation	–16	–	–	–16	1,042	911	–	1,953
Reclassification	–	–	–	–	–	–	2	2
Translation difference	–536	–482	–4	–1,022	84	84	–4	164
Closing cost of acquisition	13,809	26,167	144	40,120	14,361	25,647	126	40,134
Scheduled opening amortization	–	–7,742	–86	–7,828	–	–5,791	–63	–5,854
Sales/disposals	–	–	2	2	–	8	3	11
Scheduled amortization for the year	–	–2,024	–16	–2,040	–	–1,913	–26	–1,939
Translation difference	–	162	3	165	–	–46	0	–46
Scheduled closing amortization	–	–9,604	–97	–9,701	–	–7,742	–86	–7,828
Carrying amount at year-end	13,809	16,563	47	30,419	14,361	17,905	40	32,306
Scheduled amortization per function:								
Cost of sales	–	–	–3	–3	–	–	–4	–4
Selling expenses	–	–	–3	–3	–	–	–1	–1
Medicine and business development expenses	–	–2,024	–3	–2,027	–	–1,913	–3	–1,916
Administrative expenses	–	–	–7	–7	–	–	–18	–18
Total	–	–2,024	–16	–2,040	–	–1,913	–26	–1,939

¹⁾ Other intangible assets mainly refers to software.

Specification of major product rights, SEK million	2012	Rate of amortization, years	Remaining amortization, years
3M-products	2,348	15	9.0
Elidel	2,193	15	13.2
Recip products	1,218	15	9.9
Alaven products	1,133	15	12.7
Valeant products	1,150	15	10.7
Antula products	900	25	23.3
Treo	672	25	23.9
Jazz products	624	15	14.8
Azelastine nasal formulation	591	15	9.7
Other	5,734	8–25	
Total	16,563		

IMPAIRMENT TESTING OF GOODWILL

The next table shows the carrying amount for goodwill distributed per geographic area. Goodwill was tested for impairment regarding the US (acquisitions of MedPointe and Alaven), the Nordics (acquisitions of Recip and Antula), and Europe and the rest of the world (acquisitions of Viatrix, 3M and Valeant).

SEK million	2012	2011
US	4,621	4,893
Nordics	2,111	2,131
Europe and rest of the world	7,077	7,337
Total	13,809	14,361

The recoverable amounts of the CGUs are based on value in use. These calculations stem from estimated cash flows based on management-approved financial budgets and cover a four-year period. Management established the financial budgets based on previous results, experience and expectations of market trend. The budgets include assumptions on product launches, price trends, sales volumes, competing products, and cost trends.

Cash flow beyond the four-year period has been assumed to have annual growth of 2%. This anticipated growth rate is a lower estimated long-term growth rate than for the total market. According to IMS (IMS Health Market Prognosis, May 2012), the global pharmaceutical market is expected to increase by an average of 3–6% during the 2012–2016 period.

Material assumptions used in the calculations of value in use in 2012:

Parameter, %	US	Nordics	Europe and rest of the world
Average budgeted gross margin	80	56	60
Growth rate beyond the four-year period	2	2	2
Discount rate, before tax	13	12	12
Assumptions used in the previous year			
Average budgeted gross margin	82	54	59
Growth rate beyond the four-year period	0	0	0
Discount rate, before tax	14	12	12

Meda judges that the discount rate used is conservative because the weighted average cost of capital is lower than the discount rate. The recoverable amount for the tested entities exceeds their carrying amount, so no impairment loss was recognized.

Meda performed sensitivity analyses on the following parameters: discount rate, sales volumes, sales prices, and growth rate, and observed that there are good margins in the calculations.

In the long term, Meda's ability to generate future deals constitutes a key factor in justifying recognized goodwill.

Note 17 Deferred tax

Amounts referring to deferred tax assets and deferred tax liabilities on the balance sheet include:

SEK million	2012	2011
Deferred tax assets:		
Deferred tax assets to be used after 12 months	336	275
Deferred tax assets to be used within 12 months	379	291
Total	715	566
Deferred tax liabilities:		
Deferred tax liabilities payable after 12 months	2,103	2,487
Deferred tax liabilities payable within 12 months	430	248
Total	2,533	2,735

Reduced corporate tax in Sweden

The tax rate in Sweden has been reduced from 26.3% to 22%, effective from January 1, 2013. This has meant that deferred taxes attributable to Sweden have been revalued and generated non-recurring revenue of SEK 179 million.

Carry-forward of unused tax losses

At year-end 2012, the Group reported deferred tax assets attributable to carry-forwards of unused tax losses of SEK 12 million. The tax base of loss carry-forwards not accounted for is about SEK 183 million, mainly attributable to Germany. The decision to not account for the loss carry-forwards in Germany is based on complicated regulations and not the earning capacity of the German subsidiary.

Deferred tax assets and tax liabilities on the balance sheet refer to the following:

SEK million	2012			2011		
	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Intangible non-current assets	90	1,724	–1,634	86	2,058	–1,972
Property, plant, and equipment	2	69	–67	2	73	–71
Stock (inventories)	257	5	252	224	5	219
Accrued expenses	302	246	56	120	30	90
Loss carry-forwards	12	0	12	60	0	60
Pensions	78	12	66	107	5	102
Untaxed reserves	0	510	–510	–	540	–540
Other	16	9	7	12	69	–57
Deferred tax assets and tax liabilities	757	2,575	–1,818	611	2,780	–2,169
Offsetting of assets and liabilities	–42	–42	–	–45	–45	–
Tax assets and tax liabilities, net	715	2,533	–1,818	566	2,735	–2,169

Gross change regarding deferred taxes:

SEK million	Intangible non-current assets	Property, plant, and equipment	Stock (inventories)	Accrued expenses	Loss carry-forwards	Pensions	Un-taxed reserves	Other	Total
On January 1, 2011	-1,925	-80	246	126	54	103	-531	-23	-2,030
Translation difference	-30	4	1	2	-2	6	-2	1	-20
Acquisition of subsidiaries	-159	0	0	0	0	0	0	0	-159
Recognition in income statement	142	5	-28	-31	8	-7	-7	-35	47
Tax recognized in other comprehensive income	-	-	-	-7	-	-	0	-	-7
On December 31, 2011	-1,972	-71	219	90	60	102	-540	-57	-2,169
Translation difference	72	3	-3	-10	-	-2	-12	-	48
Acquisition of subsidiaries	-	-	-	-	16	-	-	-	16
Recognition in income statement	266	1	36	56	-64	-34	42	64	367
Tax recognized in other comprehensive income	-	-	-	-80	-	-	-	-	-80
On December 31, 2012	-1,634	-67	252	56	12	66	-510	7	-1,818

Note 18 Available-for-sale financial assets

SEK million	2012	2011
Carrying amount at start of the year	5	4
Increase through business combinations	-	1
Translation difference	0	0
Carrying amount at year-end	5	5

No impairment losses for decreases in value were taken in 2012 and 2011 for available-for-sale financial assets.

Available-for-sale financial assets include the following:

SEK million	2012	2011
Unlisted shares – Norway	1	1
Funds invested in interest-bearing (fixed-income) securities – Austria	4	4
Total	5	5

Note 19 Inventories

SEK million	2012	2011
Raw materials	378	365
Work in progress	94	129
Finished goods and goods for resale	1,459	1,286
Total	1,931	1,780

The Cost of sales item contains expenditure for inventories recognized as an expense amounting to SEK 4,258 million (4,107). Other income statement items contain expenditure for inventories recognized as an expense of SEK 0 million (0).

Impairment of inventories in the Group totaled SEK 130 million (72) during the year.

Note 20 Trade receivables

SEK million	2012	2011
Trade receivables	1,948	1,967
Provision for bad debts	–19	–23
Total	1,929	1,944

The fair value of trade receivables corresponds to the carrying amount.

On December 31, 2012, the Group's trade receivables, excluding those that were past due and those impaired, stood at SEK 1,567 million (1,538).

On December 31, 2012 past due but not impaired trade receivables amounted to SEK 319 million (352). Their aging analysis:

SEK million	2012	2011
< 3 months	247	270
3–6 months	30	29
>6 months	42	53
Total	319	352

On December 31, 2012 the Group recognized trade receivables that were impaired amounting to SEK 62 million (77). The provision for bad debts totaled SEK 19 million (23).

Changes in the provision for bad debts:

SEK million	2012	2011
On January 1	23	18
Additional provision for bad debts	11	12
Receivables written off during the year as non-recoverable	–12	–6
Reversed unused amounts	–2	–2
Translation difference	–1	1
Carrying amount at year-end	19	23

Note 21 Derivatives, financial assets and financial liabilities

CURRENCY FORWARD CONTRACTS

On December 31, 2012, the Group's open forward foreign exchange contracts had terms of up to three months. This table shows classification by currency:

ASSETS				LIABILITIES			
Currency pairs	Exchange rate	Nominal amount, SEK million	Fair value, SEK million	Currency pairs	Exchange rate	Nominal amount, SEK million	Fair value, SEK million
EUR/SEK	8.6891	–504	40	EUR/USD	1.3112	336	–19
USD/SEK	6.7005	–150	12	Other			–3
Other			8	Total			–22
Total			60				

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is based on market prices and generally accepted methods. In valuation, official market quotes on the balance sheet date were used where available. Translation into SEK occurred using the listed rate on the balance sheet date.

The table below comprises financial assets and liabilities measured at fair value. The fair value of derivatives is based on data from price quotes

(level 2), while fair value for available-for-sale financial assets is based on quoted prices on active markets (level 1).

The maximum exposure to credit risk at the end of the reporting period is the fair value of the derivatives that are recognized as assets in the balance sheet.

SEK million	2012		2011	
	Level 1	Level 2	Level 1	Level 2
Assets				
Interest rate swaps ¹⁾	–	0	–	12
Currency forward contracts	–	60	–	517
Available-for-sale financial assets	4	1	4	1
Total	4	61	4	530
Liabilities				
Interest rate swaps ¹⁾	–	56	–	29
Currency forward contracts	–	22	–	257
Total	–	78	–	286

¹⁾ Cash flow hedging

Note 22 Cash and cash equivalents

SEK million	2012	2011
Cash and bank balances	194	140
Current investments	0	0
Total	194	140

Note 23 Equity

SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

No. of shares, share capital and premiums increased since 2011 as follows:

SEK million (except for no. of shares)	No. of shares	Share capital	Other contributed capital
January 1, 2011	302,243,065	302	8,865
2011			
On December 31, 2011	302,243,065	302	8,865
2012			
On December 31, 2012	302,243,065	302	8,865

DIVIDEND PER SHARE

At the AGM on 7 May 2013, a dividend of SEK 2.25 per share for a total of SEK 680 million will be proposed for 2012. This sum was not recognized as a liability; it will be recognized as an appropriation of earnings in equity for fiscal 2012. Dividends for 2011 amounted to SEK 680 million (SEK 2.25 per share) and for 2010 SEK 604 million (SEK 2.00 per share).

OTHER RESERVES, SEK million	Translation difference	Hedging of net investment	Cash flow hedging	Total
Other reserves Jan 1, 2011	-591	329	-1	-263
Translation difference for foreign operation	4	-	-	4
Earnings from hedging net investment in foreign operation	-	42	-	42
Tax on earnings from hedging net investment in foreign operation	-	-11	-	-11
Earnings from revaluation of derivatives recognized in other comprehensive income	-	-	-15	-15
Tax on earnings from revaluation of derivatives recognized in other comprehensive income	-	-	4	4
Other reserves Dec 31, 2011	-587	360	-12	-239
Other reserves Jan 1, 2012	-587	360	-12	-239
Translation difference for foreign operation	-731	-	-	-731
Earnings from hedging net investment in foreign operation	-	490	-	490
Tax on earnings from hedging net investment in foreign operation	-	-87	-	-87
Earnings from revaluation of derivatives recognized in equity	-	-	-38	-38
Tax on earnings from revaluation of derivatives recognized in equity	-	-	7	7
Other reserves Dec 31, 2012	-1,318	763	-43	-598

Note 24 Borrowings

SEK million	2012	2011
Long-term borrowing		
Long-term bank loans	8,426	10,644
Bond loans	4,766	4,266
Finance leases (see Note 15)	3	3
Total	13,195	14,913
Short-term borrowing		
Short-term bank loans	1,083	176
Commercial papers	660	1,620
Finance leases (see Note 15)	9	6
Total	1,752	1,802
Total borrowings	14,947	16,715

Maturities for long-term borrowing:	2012	2011
Payable within 1–2 years	5,721	3,006
Payable within 2–5 years	7,474	11,907
Payable after 5 years	–	–
Total	13,195	14,913

Carrying amounts in SEK million, by currency, for the Group's borrowing:	2012	2011
EUR	8,143	8,123
USD	4,648	4,998
SEK	1,804	3,251
TRY	125	124
CHF	76	100
GBP	64	67
CAD	20	20
ZAR	19	16
DKK	22	10
MXN	26	5
NOK	0	1
Total	14,947	16,715

Unused credits:		
Unused unconfirmed credits	700	690
Unused confirmed credits	7,772	6,552

Not 25 Retirement benefit assets and obligations

SEK million	2012	2011
Present value of funded obligations	1,070	1,106
Fair value of plan assets	–679	–685
	391	421
Present value of unfunded obligations	886	688
Unrecognized actuarial gains/losses	–580	–322
Unrecognized costs for service in prior years	–1	–1
Net	696	786
Recognized as assets	0	0
Recognized as liabilities	696	786
Net	696	786

	2012	2011
Changes in fair value of plan assets during the year		
At year's start	685	719
Actuarial gains/losses	16	–26
Exchange differences	–31	11
Expected return	46	49
Ingoing payments	84	36
Settlement	–43	–
Pensions paid out	–78	–104
At year-end	679	685

	2012	2011
Changes in present value of the obligations during the year		
At year's start	1,794	1,714
Actuarial gains/losses	312	100
Exchange differences	–79	23
Costs for service in prior years	0	–2
Costs for service in current year	17	15
Interest expense	74	79
Settlement	–47	–
Pensions paid out	–115	–135
At year-end	1,956	1,794

	2012	2011
The amounts recognized in the income statement:		
Costs for service in current year	17	15
Costs for service in prior years	0	–2
Interest expense	74	79
Expected return on plan assets	–46	–49
Actuarial net losses (net gains) recognized during the year	22	20
Settlement	–3	–
Other	0	3
Total costs	64	66
Allocated by:		
Selling expenses	4	10
Medicine and business development expenses	1	2
Administrative expenses	32	26
Finance income and finance costs	27	28
Total costs	64	66

SEK million	2012	2011	2010	2009	2008
Present value of benefit-based obligations	1,956	1,794	1,714	1,747	1,770
Fair value of plan assets	679	685	719	737	678
Deficit	1,277	1,109	995	1,010	1,092

SEK million	2012	2011	2010	2009	2008
Experience-based adjustments on plan assets	7	–23	14	65	–237
Experience-based adjustments on benefit-based obligations	105	99	80	33	–6
Actual return on plan assets	64	23	104	120	59

**The principal actuarial assumptions used:
(weighted average, %)**

	2012	2011
Discount rate	2.7	4.8
Expected return on plan assets	7.9	8.4
Future salary increases	2.2	2.2
Future pension increases	1.4	1.5

Plan assets, which predominantly refer to the US pension fund comprise shares, unit trusts, and various kinds of interest-bearing (fixed-income) securities such as bonds and fixed-income funds. The expected return on

plan assets was established by taking account of historical return on the investments and the present mix of assets.

The Group's pension liabilities are recognized in the following legal entities:

SEK million	2012	2011
Meda Pharma GmbH & Co KG, Germany	299	298
Meda Manufacturing GmbH, Germany	186	205
Meda Pharmaceuticals Inc., US	77	131
Meda AB, Sweden	48	45
Meda Germany Holding GmbH, Germany	24	23
Other	62	84
Total	696	786

In 2013, pensions paid out are expected to amount to SEK 94 million.

GERMANY

In Germany, Meda has defined-benefit plans which are unfunded. These plans are closed to new members and new employees are instead offered a defined-contribution solution.

Most pension provisions in Meda Pharma GmbH & Co KG apply to active employees and primarily comprise the following:

- Pension compensation granted to employees who retire at age 65, or younger following incapacity to work.
- Surviving spouses receive pensions amounting to 60% of their deceased spouse's pension. Surviving children receive pensions amounting to 15% of their deceased parent's pension.
- Christmas bonuses, which are granted to employees who retire at age 65, or younger following incapacity to work. For every completed year of employment, the Christmas bonus amounts to 1.4% of the pensioner's final monthly salary.

- Conversion of salary. Employees have the opportunity to convert salary into vested entitlement to future pension payouts.

Pension provisions in Meda Manufacturing GmbH refer mainly to employees who have already retired and primarily comprise the following:

- A pension plan fully financed by the employee, which was concluded during the latter half of the 1970s. A few pensioners are still covered by this plan.
- As an alternative to the above pension plan, a new pension plan was implemented, which was partly financed by the employer and partly by the employee. The pension plan was discontinued on December 31, 2004 and is secured by Bayer Pensionskasse. This is a defined-benefit plan that covers several employers. In 2012, Bayer Pensionskasse announced that they may not be able to cover future pension increases. In which case Meda becomes liable under German law (Gesetz zur Verbesserung der betrieblichen Altersversorgung), to cover any future pension increases.

Meda has therefore included this assumption for 2012 in the actuarial calculation, which has resulted in an actuarial loss of SEK 38 million. As in previous years, Meda is recognizing this pension plan as a defined-contribution plan, since apart from the above assumption the Group did not have access to information that enables this plan to be recognized as a defined-benefit plan.

- Deferred compensation contracts existed for certain senior executives, although only for a three-year period that ended in 2001.
- Pension fund for the chemical industry. This pension plan was mainly financed by converting salary into pension.

US

Meda adopted a benefit-based funded pension plan in conjunction with the acquisition of MedPointe Inc., US, in August 2007. The company's policy for funding the plan is to make annual minimum payments required as per US laws and ordinances.

The plan was closed on January 31, 2003. This means that further benefits cannot be added to the plan and that it only covers employees up to that date inclusive. Meda has no service costs for the plan.

SWEDEN

Most pension plans in Sweden are not financed through payment to nominee-registered funds. The employer makes pension commitments directly.

Obligations for retirement pension and family pension for salaried employees in Sweden are secured through insurance held at Alecta. As per UFR 3 (statement issued by the Swedish Financial Reporting Board) this is a multi-employer benefit-based plan. For the 2012 financial year, the Group did not have access to information that enables this plan to be recognized as a defined-benefit plan. The pension plan as per ITP, secured through insurance held at Alecta, is thus recognized as a defined-contribution plan. The year's fees for pension insurances with Alecta were SEK 1 million (1). At the end of 2012, Alecta's surplus (in the form of the collective consolidation level) was 129% (113).

OTHER

Other obligations mainly arise following statutory requirements and commit the employer to make a non-recurring payment to the employee on retirement or dismissal. Pension expenses are recognized during the period of the employee's employment. In the Netherlands, the defined-benefit pension plan was discontinued, which led to settlement revenue of SEK 3 million.

Post-employment health care benefits, SEK million	2012	2011
Present value of unfunded obligations	68	73
Net debt on balance sheet	68	73
Changes in present value of the obligations during the year		
At year's start	73	67
Exchange differences	-4	2
Year's provisions	8	9
Benefits paid	-9	-5
At year-end	68	73

The above liability is recognized in other provisions.

In conjunction with the acquisition of Medpointe Inc. US in August 2007, some plans were adopted for post-employment health care benefits for certain senior executives. The accounting method and assumptions resemble those used for defined-benefit pension plans. These plans are closed. At year-end the unrecognized actuarial loss amounted to SEK 13 million (10). The actuarial key assumptions used for the plans are a discount rate of 3.75% (4.5) and a health care cost trend rate of 5% (4). The costs of the plans, which are recognized as administrative expenses and finance costs, amounts to SEK 6 million (4) and comprise interest expenses and actuarial losses.

Note 26 Other provisions

SEK million	Returns	Personnel	Restructuring	Legal disputes	Other	Total
On January 1, 2012	207	120	77	106	80	590
Additional provisions	108	13	14	9	30	174
Utilized during the year	–45	–8	–43	–36	–28	–160
Reversed unused amounts	–	–2	–10	–3	–9	–24
Translation difference	–13	–3	–2	–4	–6	–28
On December 31, 2012	257	120	36	72	67	552

SEK million	2012	2011
Non-current provisions	206	216
Current provisions	346	374
Total	552	590

Expected outflow date	Non-current provisions
In 2–3 years	66
In 4–5 years	33
After 5 years	107
Total	206

PROVISIONS FOR RETURNS

The provision for returns mainly comprises reserves for products that Meda is obliged to buy back from the customer a short time before or after their expiry date.

PROVISIONS FOR PERSONNEL

SEK 24 million (25) of the provision for personnel refers to earned salary for 51 employees in Germany who opted for early retirement in accordance with the German "Altersteilzeit" model, partly financed by public funding. Use of the recognized provision on December 31, 2012 will occur within 5 years after the reporting date. In conjunction with the MedPointe Inc. acquisition in the US in August 2007, some plans were adopted for post-employment health care benefits for certain former executives. The plans are closed. The provision was SEK 68 million (73) on December 31, 2012.

PROVISIONS FOR LEGAL DISPUTES

Individual assessment of ongoing disputes occurs continually.

PROVISIONS FOR RESTRUCTURING

In Q4 2012, restructuring costs of SEK 14 million were recognized, attributable to enhancing the efficiency of the Italian operations and aspects of Nordic operations.

OTHER PROVISIONS

Other provisions include, for example, excise duties and product-related provisions.

Note 27 Contingent liabilities

Pledged collateral, SEK million	2012	2011
For own provisions and liabilities:		
Other non-current receivables	0	0
Regarding liabilities to credit institutions:		
Property, plant, and equipment	203	224
Total	203	224
Commitments		
Guarantees	30	30

- The in-licensing of world-wide rights to Edluar may lead to a further USD 60 million in milestone payments on attainment of defined sales targets.
- The acquisition of the European rights to the active ingredient sotirimod from 3M may lead to an additional USD 10 million in milestone payments on attainment of defined development stages.
- Acquisition of the exclusive right to BEMA Fentanyl in the US, Canada, and Mexico may lead to payment of USD 30 million in milestone payments for defined sales targets.
- The agreement with Ethypharm for rights to the ketoprofen-omeprazole combination may lead to an additional EUR 5 million in milestone payments when registration and certain sales levels are achieved.
- The in-licensing of OraDisc A for the European market may lead to additional milestone payments totaling EUR 4.8 million.

- The agreement with Cipla for expanded geographic cooperation regarding the combination product based on azelastine and fluticasone may lead to payment of USD 5 million on registration in the first country and up to USD 10 million in other milestone payments.
- The maximum additional purchase consideration for other product rights is SEK 50 million.
- In conjunction with the acquisition of Carter-Wallace in 2001, Meda Pharmaceuticals Inc. (previously MedPointe Inc.) adopted certain environment-related obligations. In 1982, US environmental authorities stated that Carter-Wallace, along with more than 200 other companies, were potentially responsible for waste placed at the Lone Pine Landfill waste disposal facility. In 1989 and 1991, without admitting responsibility, Carter-Wallace and 122 other companies entered into an agreement with the authority to decontaminate Lone Pinean ongoing process. The provision for decontamination costs amounted to USD 2.5 million on December 31, 2012.
- From time to time Meda is involved in legal disputes that are common in the pharmaceutical industry. Although it is not possible to issue any guarantees about the outcome of these disputes, on the basis of Group management's present and fundamental judgment, we do not anticipate that they will have any materially negative impact on our financial position. This standpoint may naturally change over time.

Note 28 Cash flow

ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW

SEK million	2012	2011
Operating activities:		
Depreciation of property, plant, and equipment	104	100
Amortization of intangible assets	2,040	1,939
Other	19	–11
Total	2,163	2,028

Note 29 Related-party transactions

Remuneration to senior executives is described in Note 8. No other related-party transactions occurred in 2012.

Note 30 Events after the reporting date

DYMISTA APPROVED IN EUROPE

Dymista received medical approval in Europe through the decentralized registration process. Dymista is approved for the treatment of seasonal and perennial allergic rhinitis. National registration processes, including negotiations regarding pricing and reimbursement, will now follow in the individual countries prior to launch. Launches are anticipated in 2013 in several countries.

GO-AHEAD FROM FDA TO BEGIN PHASE II STUDY ("PROOF OF CONCEPT") FOR FLUPIRTINE

Meda has received approval from the American Food and Drug Administration (FDA) to begin a clinical phase II study ("Proof of Concept") for Flupirtine for the treatment of fibromyalgia. The randomized, double-blind, placebo and active-controlled study of patients with fibromyalgia will be conducted in 25 clinics in the US.

ACNEX APPROVED IN EUROPE

Acnex has received registration approval in Europe via the decentralized procedure. Acnex is a novel product (clindamycin/tretinoin) for the treatment of moderate to severe acne. National registration processes, including price and reimbursement, will now follow in each country. The product will be launched during 2013.

Income statement – parent company

SEK million	Note	2012	2011
Net sales	2,3	5,733	4,649
Cost of sales	5	-3,507	-2,561
Gross profit		2,226	2,088
Other operating income	4	47	73
Selling expenses		-500	-296
Medicine and business development expenses		-1,145	-1,156
Administrative expenses		-205	-155
Operating profit	5-9	423	554
Profit from interests in Group companies	10	819	1,485
Interest income and similar items	11	743	608
Interest expenses and similar items	11	-592	-669
Profit before appropriations and tax		1,393	1,978
Appropriations	12	-1,030	-456
Tax	13	94	-25
Net income		457	1,497

Statement of comprehensive income – parent company

SEK million	2012	2011
Net income	457	1,497
Cash flow hedges, after tax	-31	-11
Other comprehensive income for the period, net of tax	-31	-11
Total comprehensive income	426	1,486

Items in the previous table are recognized net of tax. Details are given in the parent company's specification for equity on the tax attributable to each component in other comprehensive income.

Balance sheet – parent company

SEK million	Note	Dec 31, 2012	Dec 31, 2011
ASSETS	1		
Non-current assets			
Intangible non-current assets			
Product rights and other intangible assets	14	6,961	7,624
Total intangible non-current assets		6,961	7,624
Property, plant, and equipment			
Equipment	15	1	1
Total property, plant, and equipment		1	1
Non-current financial assets			
Interests in Group companies	16	9,265	10,418
Receivables from Group companies		15,459	14,065
Derivatives		–	9
Deferred tax asset	13	54	13
Other non-current receivables		–	5
Total non-current financial assets		24,778	24,510
Total non-current assets		31,740	32,135
Current assets			
Inventories	17	405	441
Current receivables			
Trade receivables	18	264	318
Receivables from Group companies		898	764
Other receivables		42	39
Derivatives		60	520
Tax assets		7	1
Prepayments and accrued income	19	16	22
Total current receivables		1,287	1,664
Cash and bank balances		0	0
Total current assets		1,692	2,105
TOTAL ASSETS		33,432	34,240

SEK million	Note	Dec 31, 2012	Dec 31, 2011
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		302	302
Statutory reserve		3,175	3,175
Total restricted equity		3,477	3,477
Non-restricted equity			
Share premium reserve		5,694	5,694
Fair value reserve		-43	-12
Retained earnings		2,679	1,862
Profit for the year		457	1,497
Total non-restricted equity		8,787	9,041
Total equity		12,264	12,518
Untaxed reserves	20	2,320	2,055
Provisions			
Provisions for pensions	21	61	58
Other provisions	22	—	1
Total provisions		61	59
Non-current liabilities			
Borrowings	23	13,173	14,865
Liabilities to Group companies		2,361	1,538
Deferred tax liability	13	8	69
Derivatives		193	29
Total non-current liabilities		15,735	16,501
Current liabilities			
Borrowings	23	1,736	1,782
Liabilities to Group companies		800	533
Trade payables		299	336
Derivatives		28	257
Other liabilities		20	9
Accruals and deferred income	24	169	190
Total current liabilities		3,052	3,107
TOTAL EQUITY AND LIABILITIES		33,432	34,240
Pledged collateral	25	0	0
Commitments	25	187	283

Cash flow statement – parent company

SEK million	Note	2012	2011
Cash flow from operating activities			
Profit after financial items		1,393	1,978
Adjustments for items not included in cash flow	26	122	–490
Net change in pensions		3	5
Net change in other provisions		26	8
Income taxes paid		–6	–5
Cash flow from operating activities before changes in working capital		1,538	1,496
Cash flow from change in working capital			
Inventories		8	–162
Receivables		71	–618
Liabilities		–46	148
Cash flow from operating activities		1,571	864
Cash flow from investing activities			
Acquisition of intangible assets		–301	–283
Acquisition of property, plant, and equipment		–1	–
Change of financial receivables		540	–3,446
Sale of non-current assets		–	33
Cash flow from investing activities		238	–3,696
Cash flow from financing activities			
Loans raised		3,113	10,393
Loan repayments		–4,438	–6,884
Capital contributions		–43	–36
Change in other financial liabilities		239	–37
Dividend		–680	–604
Cash flow from financing activities		–1,809	2,832
Cash flow for the period		0	0
Cash and cash equivalents at period's start		0	0
Cash and cash equivalents at period's end		0	0
Interest and dividends received, interest paid			
Interest received		670	450
Dividends received		–	25
Interest paid		–453	–449
Total		217	26

Equity – parent company

SEK million	Restricted equity			Non-restricted equity		Total equity
	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings and profit for the year	
Opening balance, equity, Jan 1, 2011	302	3,175	5,694	–1	2,467	11,637
Comprehensive income						
Profit for the year	–	–	–	–	1,497	1,497
Other comprehensive income						
Cash flow hedging, interest rate derivatives	–	–	–	–16	–	–16
Tax on cash flow hedging, interest rate derivatives	–	–	–	5	–	5
Total other comprehensive income	–	–	–	–11	–	–11
Total comprehensive income	–	–	–	–11	1,497	1,486
Dividend in 2010	–	–	–	–	–604	–604
Closing balance, equity, Dec 31, 2011	302	3,175	5,694	–12	3,359	12,518
Opening balance, equity, Jan 1, 2012	302	3,175	5,694	–12	3,359	12,518
Comprehensive income						
Profit for the year	–	–	–	–	457	457
Other comprehensive income						
Cash flow hedging, interest rate derivatives	–	–	–	–39	–	–39
Tax on cash flow hedging, interest rate derivatives	–	–	–	8	–	8
Total other comprehensive income	–	–	–	–31	–	–31
Total comprehensive income	–	–	–	–31	457	426
Dividend in 2011	–	–	–	–	–680	–680
Closing balance, equity, Dec 31, 2012	302	3,175	5,694	–43	3,136	12,264

Note 1 Accounting policies

The parent company prepared its annual report per the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 of the Swedish Financial Reporting Board. RFR 2 means that in the annual report for the legal entity, the parent company must apply all EU-approved IFRS regulations and statements as far as possible within the framework of the Annual Accounts Act, with consideration for the connection between accounting and taxation. Differences between the accounting policies for the parent company and the Group concern measurement of interests in subsidiaries, loans, pensions, and deferred tax.

INTERESTS IN SUBSIDIARIES

Interests in subsidiaries are carried at cost, less any impairment losses, per the Annual Accounts Act.

LIABILITIES

Liabilities that comprise hedging instruments for investment in subsidiaries were not revalued at the closing rate, but were valued at the acquisition cost of the investment.

PENSIONS

Pensions are not recognized per IAS 19. Instead, the parent company complies with Recommendation RedR 4 of FAR SRS, the institute for the accountancy profession in Sweden.

TAXES

Deferred tax attributable to untaxed reserves is not recognized separately in the parent company. Tax on Group contributions is recognized per IAS 12 in the income statement.

GROUP CONTRIBUTIONS

Group contributions paid are recognized as an appropriation in the income statement. Group contributions received are recognized as financial income according to the same principles as for ordinary dividends from subsidiaries.

Note 2 Distribution of net sales

SEK million	2012	2011
Western Europe	4,851	3,862
US	61	174
Emerging Markets	668	576
Other Sales	153	37
Total	5,733	4,649
Goods sold	5,629	4,535
Royalty income	104	114
Total	5,733	4,649

Note 4 Other operating income

SEK million	2012	2011
Service income, internal	47	73
Total	47	73

Note 3 Intra-Group transactions

These data show the proportion of the year's purchases and sales between Group companies.

SEK million	2012	2011
Goods sold	3,607	2,874
Royalties	104	114
Goods purchased	-96	-101
Total	3,615	2,887

Note 5 Expenses by type

SEK million	2012	2011
Raw materials and consumables	331	292
Goods for resale	2,244	1,826
Staff costs	128	113
Depreciation and amortization	964	1,006
Other expenses	1,690	931
Total cost of sales, selling costs, medicine and business development expenses, and administrative expenses	5,357	4,168

Note 6 Personnel, average number of employees

AVERAGE NO. OF EMPLOYEES

	2012		2011	
	Women	Men	Women	Men
	56	27	57	23
Total	83		80	

GENDER DISTRIBUTION IN MEDA MANAGEMENT

	2012		2011	
	Women	Men	Women	Men
The board of directors (incl. CEO)	1	6	2	6
Other senior executives	–	4	–	4
Total	1	10	2	10

Note 7 Salaries, other remuneration, and social security costs

TOTAL SALARIES, SOCIAL SECURITY COSTS AND PENSIONS

SEK million	2012			2011		
	Salaries and other remuneration	Social security costs	Of which pension costs	Salaries and other remuneration	Social security costs	Of which pension costs
	91	39	15	79	37	17
Pension costs						
- Defined-contribution plans			9			13
- Defined-benefit plans			6			4
Total			15			17

SALARIES AND OTHER REMUNERATION

SEK million	2012				2011			
	Salary/board fee	Of which variable pay	Pension costs	Average no. of people	Salary/board fee	Of which variable pay	Pension costs	Average no. of people
Board, CEO and other senior executives	41	11	2	11	40	11	2	12
Other employees	50	0	13	72	39	0	15	68
Total	91	11	15	83	79	11	17	80

REMUNERATION AND OTHER BENEFITS TO BOARD AND SENIOR EXECUTIVES 2012

SEK million	Fixed basic salary/board fee	Variable pay	Other benefits	Pension	Other benefits	Total
Anders Lönner, CEO	9.5	10.0	0.2	7.5 ¹⁾	–	27.2
Bert-Åke Eriksson, board chairman ²⁾	0.8	–	–	–	–	0.8
Peter Claesson, board member ²⁾	0.4	–	–	–	–	0.4
Marianne Hamilton, board member ²⁾	0.4	–	–	–	–	0.4
Peter von Ehrenheim, board member	0.3	–	–	–	–	0.3
Tuве Johannesson, board member ²⁾	0.4	–	–	–	–	0.4
Maria Carell, board member ³⁾	0.1	–	–	–	–	0.1
Anders Waldenström, board member ³⁾	0.1	–	–	–	–	0.1
Lars Westberg, board member	0.2	–	–	–	–	0.2
Other senior executives (4 persons)	9.9	1.4	0.5	2.3	–	14.1
Total	22.1	11.4	0.7	9.8	–	44.0

REMUNERATION AND BENEFITS TO BOARD AND SENIOR EXECUTIVES 2011

SEK million	Fixed basic salary/ board fee	Variable pay	Other benefits	Pension	Other benefits	Total
Anders Lönner, CEO	9.3	10.2	0.2	7.5 ¹⁾	–	27.2
Bert-Åke Eriksson, board chairman ²⁾	0.8	–	–	–	–	0.8
Peter Claesson, board member ²⁾	0.3	–	–	–	–	0.3
Marianne Hamilton, board member ²⁾	0.3	–	–	–	–	0.3
Peter von Ehrenheim, board member	0.2	–	–	–	–	0.2
Tuve Johannesson, board member ²⁾	0.4	–	–	–	–	0.4
Maria Carell, board member	0.2	–	–	–	–	0.2
Anders Waldenström, board member	0.3	–	–	–	–	0.3
Other senior executives (4 persons)	9.0	1.4	0.5	2.1	–	13.0
Total	20.8	11.6	0.7	9.6	–	42.7

¹⁾ The CEO used his right to convert his pension benefit into salary, as per his employment contract.

²⁾ Including fee received for board committee work.

³⁾ Stepped down as board member in 2012.

See Note 8 of the consolidated accounts for further information on remuneration to senior executives.

Note 8 Fees and remuneration to auditors

The next table shows the financial year's expensed auditing fees and expensed fees for other assignments performed by the parent company's auditors.

SEK million	2012	2011
PwC		
Audit assignment ¹⁾	2	2
Tax consulting	0	0
Other services	0	0
Total	2	2

¹⁾ Auditing fees refers to fees for the statutory audit, i.e., such work that was necessary to issue the auditor's report and audit advice given in connection with the audit assignment.

Fees for auditing services other than regular auditing assignments amount to SEK 0 million (0.2).

Note 9 Operating leases

SEK million	2012	2011
Leasing expensed during the financial year	11	10

The nominal value of future minimum lease payments regarding non-cancelable leases is distributed as follows:

SEK million	2012	2011
Payable within 1 year	10	9
Payable within 1–5 years	16	15
Payable after 5 years	–	–
Total	26	24

In 2011, Meda AB entered into an operating lease regarding offices in Sweden for the period January 1, 2011 until December 31, 2015. Future lease payments will be based on performance of the consumer price index.

Note 10 Earnings from interests in Group companies

SEK million	2012	2011
Dividends from Group companies	754	1,827
Group contributions received	70	58
Impairment of shares in Group companies	–5	–400
Total	819	1,485

Note 11 Financial items

SEK million	2012	2011	SEK million	2012	2011
Interest income and similar items			Interest expenses and similar items		
Interest	743	532	Interest	-517	-539
Other finance income	0	76	Costs of raising loans	-35	-85
Total	743	608	Exchange losses	-40	-45
			Total	-592	-669

Note 12 Appropriations

SEK million	2012	2011
Group contributions paid	765	427
Excess depreciation/amortization	265	29
Total	1,030	456

Note 13 Tax

SEK million	2012	2011	
Current tax expense (-)/tax income (+)			The next table shows the difference between recognized tax expense and the relevant tax rate.
Current tax for the year	0	0	
Current tax attributable to prior years	0	-2	The tax rate has been reduced to 22%, effective from January 1, 2013.
	0	-2	
Deferred tax expense (-)/tax income (+)	94	-23	
Total	94	-25	
			SEK million
			2012
			2011
			Reconciliation of effective tax
			Profit before tax
			363
			1,522
Tax items recognized directly in equity			
	Dec 31,	Dec 31,	
	2012	2011	
Deferred tax			Tax as per applicable tax rate for parent company (26.3%)
Derivatives	8	5	-95
			-400
			Other non-deductible expenses
			-2
			-104
			Non-taxable income (dividends from subsidiaries)
			197
			481
			Revaluation of deferred taxes
			-6
			-
			Tax attributable to prior years
			0
			-2
Total	8	5	
			Recognized effective tax
			94
			-25

Temporary differences resulted in these deferred tax assets/liabilities:

SEK million	Other receivables	Deriva- tives	Deriva- tives	Borrowings	Total
On January 1, 2011	1	0	-26	-11	-36
Recognized in equity	-	5	-	-	5
Recognized in income statement	7	-	-41	9	-25
On December 31, 2011	8	5	-67	-2	-56
Recognized in equity	-	8	-	-	8
Recognized in income statement	2	-1	59	34	94
On December 31, 2012	10	12	-8	32	46

Note 14 Product rights and other intangible assets

SEK million	2012			2011		
	Product rights	Other assest	Total	Product rights	Other assest	Total
Opening cost of acquisition	11,137	16	11,153	10,905	7	10,912
Investments	293	8	301	274	9	283
Sales/disposals	–	–	–	–42	–	–42
Closing cost of acquisition	11,430	24	11,454	11,137	16	11,153
Scheduled opening amortization	–3,529	0	–3,529	–2,533	0	–2,533
Scheduled amortization for the year	–961	–3	–964	–1,005	0	–1,005
Sales/disposals	–	–	–	9	–	9
Scheduled closing amortization	–4,490	–3	–4,493	–3,529	0	–3,529
Carrying amount at year-end	6,940	21	6,961	7,608	16	7,624
Scheduled amortization per function						
Medicine and business development expenses	–961	–3	–965	–1,005	0	–1,005
Administrative expenses	–	–	–	–	–	–

Note 15 Equipment

SEK million	2012	2011
Opening cost of acquisition	23	23
Investments	1	0
Sales/disposals	–16	0
Closing cost of acquisition	8	23
Opening depreciation	–22	–22
Year's depreciation	–1	0
Sales/disposals	16	–
Closing depreciation	–7	–22
Carrying amount at year-end	1	1
Depreciation per function:		
Administrative expenses	0	0

Note 16 Interests in Group companies

Subsidiaries	Corporate ID number	Registered office	No. of shares	Share of equity, %	Carrying amount 2012	Carrying amount 2011
Meda Germany Holding GmbH ¹⁾	HRB 9848	Bad Homburg, Germany	4	100	5,041	5,043
Meda US Holding Inc.	22-3801882	Somerset, US	3,000	100	3,793	3,793
Recip AB	556694-8849	Stockholm, Sweden	0	0	0	1,191
Meda A/S	46 03 22 17	Alleröd, Denmark	104	100	144	142
Ipex AB ²⁾	556544-1135	Danderyd, Sweden	1,428	100	139	139
Ellem Läkemedel AB	556196-1789	Stockholm, Sweden	1,000	100	4	4
Meda AB	556489-3948	Täby, Sweden	400,000	100	25	25
Medinet International Ltd.	0113742-0	Åbo, Finland	4,800	100	21	21
Medical Equipment Store i Sandviken AB	556564-4233	Sandviken, Sweden	100	100	0	5
Meda Pharma Hungary Kft.	01-09-870550	Budapest, Hungary	130	100	5	5
Meda Valeant Inc.	44 9014-2	Montréal, Canada	2,750	55	22	22
Meda AS	920218199	Asker, Norway	2,000	100	2	2
Meda Pharmaceuticals Ltd.	6130651123	Istanbul, Turkey	523,195	42.96 ³⁾	23	23
Meda OY	0111457-9	Åbo, Finland	3,200	100	1	1
Meda Pharmaceuticals SA	58280/01AT/B/05/111	Athens, Greece	60,000	99.9	1	1
Cytopharma AB	556538-1018	Täby, Sweden	1,000	100	1	1
Meda Health Sales Ireland Ltd.	403901	Dunboyne, Ireland	510,000	100	43	0
Meda Pharmaceuticals Sp.z o.o.	5272515293	Warsaw, Poland	50	100	0	0
Scanmeda AB	556053-7002	Gothenburg, Sweden	500	100	0	0
Viatrix Pharmaceuticals Ltd.	04303411	Nottingham, UK	1	100	0	0
Meda Pharma S de RL de CV	401800-1	Jardines en la Montaña, Mexico	1	100	0	0
Total					9,265	10,418

¹⁾ The most important holdings in Meda Germany Holding GmbH:

Meda Pharma GmbH & Co KG, Bad Homburg, Germany
 Meda Manufacturing GmbH, Köln, Germany
 Meda Pharma GmbH, Vienna, Austria
 Meda Pharma s.r.o., Prague, Czech Republic
 Meda Pharma spol. s.r.o., Bratislava, Slovakia

²⁾ The most important holdings in Ipex AB:

Meda Pharma GmbH, Wangen, Switzerland
 Meda Manufacturing SAS, Merignac, France
 Meda Pharma SAS, Paris, France
 Meda Pharmaceuticals Ltd., Bishop's Stortford, UK
 Meda Pharma S.A. / N.V., Brussels, Belgium
 Meda Pharma B.V., Amstelveen, Netherlands
 Meda Pharma S.A.U., Madrid, Spain
 Meda Pharma S.p.A., Milan, Italy
 Meda Pharma Produtos Farmacêuticos, S.A., Lisbon, Portugal
 Meda Pharmaceuticals Middle East & Africa FZ LLC, Dubai, United Arab Emirates
 Meda Pharmaceuticals Switzerland GmbH, Wangen, Switzerland
 Meda Pharma İlaç Sanayi ve Ticaret Limited Şirketi, Istanbul, Turkey³⁾
 Meda OTC AB, Stockholm, Sweden
 Recip AB, Stockholm, Sweden

³⁾ IPEX AB has a 57.04% share of equity.

Note 17 Inventories

SEK million	2012	2011
Raw materials	78	94
Work in progress	0	0
Finished goods and goods for resale	327	347
Total	405	441

The charge for expensed inventories is included in the Cost of sales item and amounted to SEK 2,684 million (2,192).

Impairment of inventories in the parent company totaled SEK 27 million (23) during the year.

Note 18 Trade receivables

SEK million	2012	2011
Trade receivables	264	318

On December 31, 2012, past due trade receivables stood at SEK 44 million (70). Their aging analysis is as follows:

SEK million	2012	2011
< 3 months	31	60
3–6 months	1	10
>6 months	12	0
Total	44	70

No impairment was deemed to be applicable to the parent company's trade receivables.

Excluding past due trade receivables, the parent company's trade receivables amounted to SEK 220 million (248). Their aging analysis:

SEK million	2012	2011
< 3 months	220	248
3–6 months	0	0
>6 months	0	0
Total	220	248

Note 19 Prepayments and accrued income

SEK million	2012	2011
Prepaid interest	0	0
Prepaid rent	2	1
Prepaid insurance	3	–
Other prepayments	11	21
Total	16	22

Note 20 Untaxed reserves

SEK million	2012	2011
Accumulated excess depreciation/ amortization	2,320	2,055
Total	2,320	2,055
Accumulated excess depreciation/ amortization by asset type		
Product rights	2,320	2,055

Note 21 Pension provisions

SEK million	2012	2011
PRI pensions	61	58
Other pension plans	0	0
Total	61	58

Pension costs for the defined-benefit pension plan were recognized in the amount of SEK 6 million (4) in the operation. Interest expense was SEK 3 million (3).

Note 22 Other provisions

SEK million	Restructuring	Synthetic options	Total
On January 1, 2011	5	1	6
Additional provisions	–	–	–
Utilized during the year	–3	–	–3
Reversed unused amounts	–1	–1	–2
On December 31, 2011	1	0	1
Additional provisions	–	–	–
Utilized during the year	–1	–	–1
Reversed unused amounts	–	–	–
On December 31, 2012	0	0	0

Note 23 Borrowings

SEK million	2012	2011
Long-term borrowing		
Long-term bank loans	8,407	10,599
Bond loans	4,766	4,266
Subordinated debentures	–	–
Total	13,173	14,865
Short-term borrowing		
Short-term bank loans	1,076	162
Commercial papers	660	1,620
Total	1,736	1,782
Total borrowings	14,909	16,647

Maturities for long-term borrowing:	2012	2011
Payable within 1–2 years	5,721	3,000
Payable within 2–5 years	7,452	11,865
Payable after 5 years	–	–
Total	13,173	14,865

Carrying amounts in SEK million, by currency, for the parent company's borrowing:	2012	2011
EUR	8,116	11,681
USD	4,613	1,331
SEK	1,829	3,445
TRY	125	124
CHF	76	0
GBP	64	14
MXN	26	1
DKK	22	14
CAD	20	20
ZAR	18	16
NOK	–	1
Total	14,909	16,647

Unused credits:		
Unused unconfirmed credits	700	690
Unused confirmed credits	7,772	6,410

Note 24 Accruals and deferred income

SEK million	2012	2011
Accrued interest expense	64	95
Vacation pay liability	11	9
Other accrued employee benefits expense	28	27
Other accrued expenses	66	59
Total	169	190

Note 25 Contingent liabilities

Pledged collateral, SEK million	2012	2011
For own provisions and liabilities:		
Other non-current receivables	0	0
Total	0	0
Commitments		
Surety given that benefits subsidiaries	186	282
Guarantees	1	1
Total	187	283

- The in-licensing of world-wide rights to Edluar may lead to a further USD 60 million in milestone payments on attainment of defined sales targets.
- The acquisition of the European rights to the active ingredient sotirimod from 3M may lead to an additional USD 10 million in milestone payments on attainment of defined development stages.
- Acquisition of the exclusive right to BEMA Fentanyl in the US, Canada, and Mexico may lead to payment of USD 30 million in milestone payments for defined sales targets.
- The agreement with Ethypharm for rights to the ketoprofen-omeprazole combination may lead to an additional EUR 5 million in milestone payments when registration and certain sales levels are achieved.
- The in-licensing of OraDisc A for the European market may lead to additional milestone payments totaling EUR 4.8 million.
- The agreement with Cipla for expanded geographic cooperation regarding the combination product based on azelastine and fluticasone may lead to payment of USD 5 million on registration in the first country and up to USD 10 million in other milestone payments.
- The maximum additional purchase consideration for other product rights is SEK 15 million.
- From time to time Meda is involved in legal disputes that are common in the pharmaceutical industry. Although it is not possible to issue any guarantees about the outcome of these disputes, on the basis of Group management's present and fundamental judgment, we do not anticipate that they will have any materially negative impact on our financial position. This standpoint may naturally change over time.

Note 26 Cash flow

ADJUSTMENTS FOR NON-CASH ITEMS

SEK million	2012	2011
Operating activities:		
Amortization of intangible non-current assets	964	1,006
Impairment of shares in subsidiaries	-5	400
Dividend received from subsidiaries	-754	-1,827
Group contributions received	-70	-58
Other	-13	-11
Total	122	-490

Note 27 Financial risks

See Note 2 of the consolidated accounts for a description of financial risks.

Proposed allocation of profits

Parent company, SEK

These amounts are at the disposal of the AGM:

Share premium reserve	5,694,493,945
Fair value reserve	-43,101,585
Retained earnings	2,678,565,185
Profit for the year	456,993,926
Total profit available for allocation	8,786,951,471

The board proposes this allocation of available profit:

Distribution to shareholders (SEK 2.25 per share)	680,046,896
Carried forward	8,106,904,575
Total	8,786,951,471

A board decision on 15 March 2013 approved the 2012 annual accounts and consolidated accounts of Meda AB (publ) for publication. The board proposes adoption of the annual accounts and consolidated accounts at the annual general meeting on May 7, 2013.

The board and the CEO assure that the consolidated statements were prepared in accordance with International Financial Reporting Standards as adopted by the EU and provide a fair presentation of the Group's position and performance. The annual statements were prepared using generally accepted accounting principles and provide a fair presentation of the parent company's financial position and results.

The management report for the Group and parent company provides a fair summary of performance in the Group and parent company operations, their position, and financial results, and describes significant risks and uncertainties faced by the parent company and Group companies.

Stockholm, March 15, 2013

The board and CEO of Meda AB (publ)

Bert-Åke Eriksson
Board chairman

Peter Claesson

Marianne Hamilton

Tuve Johannesson

Lars Westerberg

Peter von Ehrenheim

Anders Lönnér
CEO

We submitted our audit report on March 21, 2013

PricewaterhouseCoopers AB

Mikael Eriksson
Certified Public Accountant

Audit report

To the Annual General Meeting in Meda AB (publ). Corp. ID 556427-2812.

REPORT ON THE ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

We have completed an audit of the annual report and consolidated accounts of Meda AB for 2012. The company's annual report and consolidated accounts are included in the printed version of this document on pages 56–118.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINIONS

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material aspects, the financial position of the parent company as of December 31, 2012 and of its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material aspects, the financial position of the parent company as of December 31, 2012 and of its financial performance and cash flows for the year in accordance with International Financial Reporting Standards, as adopted

by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit and the administration of the Board of Directors and the Managing Director of Meda AB for the year 2012.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit and on the administration based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit, we examined the proposal to assess whether it is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken, and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINIONS

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 21, 2013

PricewaterhouseCoopers AB
Mikael Eriksson
Certified Public Accountant

Financial review

SEK million	2012	2011	2010	2009	2008
SUMMARY OF INCOME STATEMENTS					
Continuing operations					
Net sales	12,991	12,856	11,571	13,178	10,675
Operating expenses	-11,200	-10,212	-9,471	-10,276	-8,373
Other income	–	–	429	–	–
Operating profit¹⁾	1,791	2,644	2,529	2,902	2,302
Net finance costs	-548	-604	-552	-618	-884
Profit after financial items	1,243	2,040	1,977	2,284	1,418
Tax	-63	-432	-549	-747	-464
Net income²⁾	1,180	1,608	1,428	1,537	954
¹⁾ Operating profit, adjusted for non-recurring effects	1,791	2,683	2,297	3,033	2,517
Non-recurring effects, revenue	–	–	429	–	–
Non-recurring effects, expenses	–	-39	-197	-131	-215
²⁾ Net income attributable to:					
Parent company shareholders	1,209	1,616	1,444	1,539	954
Non-controlling interests	-29	-8	-16	-2	–
	1,180	1,608	1,428	1,537	954
SUMMARY OF BALANCE SHEETS					
Assets					
Non-current assets					
Property, plant, and equipment	795	811	788	854	935
Intangible	30,419	32,306	28,214	27,453	29,609
Other non-current assets	730	592	624	883	948
Current assets					
Inventories	1,931	1,780	1,520	1,666	1,736
Current receivables	2,486	3,089	2,305	2,091	2,389
Cash and cash equivalents	194	140	111	76	198
Total assets	36,555	38,718	33,562	33,023	35,815
Equity and liabilities					
Equity	15,113	14,971	13,925	13,664	13,290
Non-current liabilities					
Interest-bearing	13,891	15,699	8,421	11,082	13,615
Other non-current liabilities	2,824	3,015	2,924	2,764	2,958
Current liabilities					
Interest-bearing	1,752	1,802	5,226	2,478	2,753
Other current liabilities	2,975	3,231	3,066	3,035	3,199
Total equity and liabilities	36,555	38,718	33,562	33,023	35,815

SEK million	2012	2011	2010	2009	2008
SUMMARY OF CASH FLOW STATEMENTS					
Cash flow from operating activities					
before changes in working capital	3,051	3,130	2,734	3,087	2,003
Change in working capital	-238	-272	-198	37	-53
Cash flow from operating activities	2,813	2,858	2,536	3,124	1,950
Cash flow from investing activities	-1,143	-5,669	-2,852	-518	-4,102
Cash flow from financing activities	-1,608	2,844	365	-2,724	2,083
Cash flow for the period	62	33	49	-118	-69
Cash and cash equivalents at period's start	140	111	76	198	242
Exchange-rate difference in cash and cash equivalents	-8	-4	-14	-4	25
Cash and cash equivalents at period's end	194	140	111	76	198
INVESTMENTS					
- in intangible non-current assets ³⁾	1,026	5,596	3,141	412	4,050
- in property, plant, and equipment	126	124	127	109	72
Free cash flow ⁴⁾	2,670	2,734	2,465	3,006	1,839
Free cash flow per share ⁵⁾	8.8	9.1	8.2	10.0	6.7
³⁾ Including acquisition of subsidiaries.					
⁴⁾ Cash flow from operating activities less investments in property, plant, and equipment.					
⁵⁾ Calculated on average number of diluted shares.					
KEY RATIOS RELATED TO EARNINGS					
Gross margin, %	61.2	63.8	64.1	66.1	66.5
Operating margin, %	13.8	20.6	21.9	22.0	21.6
Profit margin, %	9.6	15.9	17.1	17.3	13.3
EBITDA, SEK million	3,935	4,683	4,306	4,387	3,425
EBITDA margin, %	30.3	36.4	37.2	33.3	32.1
EBITDA excluding non-recurring effects, SEK million	3,935	4,722	4,074	4,518	3,640
EBITDA margin excluding non-recurring effects, %	30.3	36.7	35.2	34.3	34.1
CAPITAL STRUCTURE AND EARNINGS					
Equity, SEK million	15,113	14,971	13,925	13,664	13,290
Adjusted equity, SEK million	14,433	14,291	13,321	13,362	13,063
Return on capital employed, %	5.7	8.8	9.3	10.0	8.7
Return on equity, %	7.8	11.1	10.4	11.4	8.4
Net debt, SEK million	15,449	17,361	13,524	13,467	16,129
Net debt/equity ratio, times	1.0	1.2	1.0	1.0	1.2
Equity/assets ratio, %	41.3	38.7	41.5	41.4	37.1
EBIT interest cover, times	3.2	3.9	4.4	4.5	2.6
Proportion of risk-bearing capital, %	48.3	45.7	49.3	48.5	44.0
Dividend yield, %	3.3	3.1	3.9	1.6	1.4
Equity per share	50.0	49.6	46.1	45.2	44.0
Earnings per share, SEK	4.0	5.35	4.78	5.09	3.49
Dividend per share, SEK	2.25 ⁶⁾	2.25	2.00	1.00	0.75
EMPLOYEES					
Average no. of employees	2,869	2,591	2,593	2,627	2,529

⁶⁾ Proposed dividend.

Risk factors

Meda's operations are affected by a number of factors over which it has only partial or no control. Below is a description of the factors that are deemed to be of particular significance to Meda's future performance. The following account of risk factors is not exhaustive, and does not list the risks in order of significance. None of the factors are described in detail; a comprehensive evaluation must include other information and a general assessment of Meda's business environment.

COMPETITORS AND PRICING

The pharmaceutical industry is highly competitive. Price pressure in Meda's business areas has been intense and is expected to remain so, particularly in terms of patent expirations. There is thus a risk that Meda will not be able to maintain its current margins on products. There is no guarantee that Meda's product candidates or products developed by its partners will enjoy preference to existing or newly developed products. Future products in development by other pharmaceutical companies can bring about stiffer competition and lower sales for Meda's products.

Some of Meda's products are purchased by or entitle the end customer to remuneration from a paying third party, such as private insurance companies and the public sector. Changes among such bodies in terms of their scope, efforts, guidelines, and ability to influence pricing of and demand for pharmaceuticals may entail negative commercial and financial effects for Meda.

ECONOMIC TRENDS

Meda's sales are dependent on the general economic climate to a certain extent. An economic downturn on markets where Meda operates bringing about reduced demand, primarily for products classified as OTC drugs, cannot be ruled out. This could have a negative impact on Meda's operations, earnings, and financial position. This risk is limited partly by the fact that Meda operates on many markets, and partly because the majority of its products are vital for the end user, irrespective of the prevailing economic climate. In general, the pharmaceutical industry is only affected to a minor extent by economic trends, and in this respect Meda does not deem itself to be any different from other companies in the industry.

ACTIONS OF PUBLIC AUTHORITIES

Like other companies in the pharmaceutical industry, Meda is dependent on and subject to the actions of public authorities. Such measures include changes in regulations regarding pricing and discounting of drugs, or changed conditions regarding prescribing a certain drug. If Meda's products or operations become subject to further or changed actions or restrictions from public authorities, this could have negative commercial and financial implications for Meda.

PARTNERS

Meda collaborates actively with other pharmaceutical companies in marketing and development. There is no guarantee that the companies with which Meda has future or existing partnership and/or license agreements will fulfill their commitments according to agreements entered, which could have a negative effect on Meda's sales and earnings. Meda's success in entering partnership and/or license agreements on acceptable terms cannot be guaranteed either.

ACQUISITIONS AND ACQUISITION FINANCING

For a long time, Meda has been working according to an active acquisition strategy, resulting in several successful acquisitions. Strategic acquisitions will remain a part of Meda's growth strategy. However, there is no guarantee that Meda will be able to find suitable acquisition targets or receive the requisite financing for future acquisition targets on acceptable terms. This could lead to lower or slower growth for Meda.

GOVERNANCE RISK

Meda has expanded sharply through several acquisitions and organic growth. The company expects this trend to continue in the coming years. Meda's existing control, governance, accounting and information systems may prove inadequate for the planned growth, and further investments might be necessary. If Meda proves incapable of governing and controlling growth efficiently, it may experience negative commercial and financial effects. However, Meda has worked according to an active acquisition strategy resulting in several successful acquisitions. It is therefore experienced in and knowledgeable about the governance-related issues involved in sharp growth.

PARALLEL IMPORT

It cannot be ruled out that price differences for pharmaceutical products on markets where Meda operates will lead to higher parallel import, with Meda's products being purchased for less on certain markets and then competing with its sales on other markets. This might increase, which could involve negative commercial and financial effects for Meda.

UNCERTAINTY IN MARKET ASSESSMENTS

The 2012 annual report describes various products and markets. These descriptions and assumptions aim to facilitate the assessment of Meda and its future prospects. The descriptions were established based on external sources in the form of investigations and studies, and on Meda's own assessments. However, such assessments are unavoidably associated with a large measure of uncertainty in terms of factors over which Meda has no control. There is no guarantee that such descriptions given in the annual report will actually occur.

SEASONAL VARIATIONS

To a certain extent, parts of Meda's sales depend on external seasonal variations that the company cannot influence. For example, a short pollen season or a season with low pollen counts can lead to reduced sales of Meda's products in the key respiratory therapy area, giving a negative effect on the company's operations, earnings, and financial position. However, this risk is limited by the fact that Meda operates on many geographic markets and has a large amount of products in the key therapy areas. Only minor parts of Meda's overall sales rely on individual factors such as pollen seasons and similar external factors, and correlation between these factors is historically low.

PRODUCTION RISK

Meda's production operation consists of a chain of processes, and disruptions or disturbances at any stage can involve consequences for Meda's ability to produce its products in line with demand. Such disruptions could therefore have a negative impact on Meda's operations, financial position and earnings. About half of Meda's production volumes are, however, manufactured at its own production units, and production is planned so that temporary production stops are not crucial to Meda's ability to fulfill its commitments to customers. Also, Meda has disruption insurance that protects it from immediate

financial losses arising from disturbances or disruptions in its production operations.

UNCERTAINTY RELATING TO CLINICAL TRIALS

Meda intends to increase the development of its own products from now on, which will bring about higher costs in the form of clinical trials. Prior to the sale of products in development, Meda or its partners must show that they are safe and effective for humans in each specified indication. It cannot be guaranteed that the clinical trials of Meda or its partners can demonstrate sufficient safety and effect to receive the requisite approval from authorities, or that they will lead to market-sellable products.

KEY EMPLOYEES AND RECRUITMENT

Meda is highly dependent on a number of key employees. Any loss of one or more such employees could have negative financial and commercial implications for Meda. The ability to recruit and keep qualified staff is crucial to secure expertise at Meda. Meda believes that it can attract and keep qualified staff, but that there is no guarantee that this can occur on acceptable terms because competition with other pharmaceutical companies for experienced employees is stiff.

PRODUCT LIABILITY AND INSURANCE

The part of Meda's operations that relates to product development, clinical trials, production, marketing and sales of its products carries a product liability risk. Meda deems that it has satisfactory insurance protection for claims relating to existing products. Product liability insurance policies for newly acquired products are taken out regularly. Although Meda has comprehensive product liability insurance protection, it cannot be guaranteed that Meda will avoid claims for damages in the event of damages ensuing from the use of products sold by Meda. Such claims for damages would have a negative financial and commercial effect on Meda. The company also has limited product liability with regard to the drugs it sells and markets through licenses, because the drug manufacturer carries the principal product risk according to applicable agreements.

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Meda invests significant sums of money in product development and is continually acquiring intellectual property rights

developed by other companies. In order to guarantee a return on these investments, the company actively asserts these rights and closely monitors the activities of its competitors. If required, Meda will defend its intellectual property rights through legal processes. There is always a risk that competitors will, intentionally or unintentionally, infringe on Meda's rights. Should this occur, there is a risk that the company will be unable to fully assert its rights in a court case, which would have a negative impact on the company's operations and profitability.

Neither is there any guarantee that Meda's rights will not constitute an infringement of the rights of a competitor, or that Meda's rights will not be contested or disputed by competitors. It cannot be ruled out that Meda may be drawn into court proceedings by competitors for alleged infringement of the competitor's rights. If this happens there is a risk of the company being affected by significant liability to pay damages, and that this will have a negative impact on the company's ability to pursue its operations.

Furthermore, Meda is dependent on expertise and it cannot be ruled out that competitors may develop similar expertise, or that Meda is unable to protect its expertise effectively.

FINANCIAL RISKS

UNCERTAINTY IN FORECASTING

Meda operates with certain products on markets that are highly competitive with sharp price pressure, which involves great uncertainty in forecasting. Another significant factor is that Meda cannot influence the actions of public authorities, such as amended regulations regarding pricing. A significant portion of Meda's drug purchasing and sales occurs in foreign currencies, which also adds to uncertainty in forecasting.

CURRENCY AND INTEREST RATE RISKS

A significant portion of Meda's drug purchasing and sales occurs in foreign currencies. Consequently, exchange rate fluctuations affect the Group's future sales and operating profit. Meda's finance policy aims to identify and reduce financial risks, thus avoiding major short-term variations in earnings, and cash flow. Decisions regarding currency hedging are therefore made on an ongoing basis. However, there is no guarantee that Meda's currency hedges (if a decision about

such is made) provide complete protection against exchange rate fluctuations that lead to a negative effect on Meda's sales and operating profit.

Meda's financing consists partly of interest-bearing liabilities, so the Group's net earnings are affected by changes in general interest rates. The interest rate risk is addressed by spreading Meda's borrowings across different rate maturities.

INTEGRATION RISK AND OTHER RISKS RELATING TO ACQUISITIONS

Carrying out acquisitions generally brings about integration risks. Apart from company-specific risks, there can be a negative effect on the acquired company's relationships with key people, customers, and suppliers. There is also a risk of integration processes taking longer or being more costly than estimated, and of expected synergies failing completely or in part.

The integration of acquisitions can involve organizational changes which, in the short term, can bring about delays in implementing plans and goals.

Integration between pharmaceutical companies also usually involves risks in terms of maintaining expertise and creating a common culture.

SHARE-RELATED RISKS

Risk and risk-taking are an unavoidable aspect of owning shares. Because an investment in shares can both rise and fall in value, there is no guarantee that an investor will get back his or her invested capital. Share price performance depends on a series of factors, some of which are company-specific while others are associated with the stock market at large. It is impossible for an individual company to monitor all the factors that can affect its share price, so each decision to invest in shares should be preceded by a careful analysis.

The Meda share

LISTING AND TRADING VOLUME

Meda's share has been quoted on the Stockholm Stock Exchange since 1995 and on the Large Cap segment of the NASDAQ OMX Stockholm exchange since 2006. One trading unit contains one share.

On December 31, 2012, market capitalization was SEK 20,235 million. The total trading volume of Meda shares in 2012 exceeded 257 million shares to a value of almost SEK 17 billion. This equates to an average daily trading volume of 1 million shares, corresponding to SEK 68 million per business day.

DIVIDEND

The board resolved to propose a dividend of SEK 2.25 per share (2.25) for 2012, corresponding to 56% (42) of profit for the year and 25% (25) of cash earnings per share. Meda aims to enhance shareholder value in the long term, and the board's intention is to propose a dividend that reflects Meda's sustainable earnings trend, taking into account expansion possibilities and financial position.

SHAREHOLDERS

Meda's shareholding structure and apportionment by size are set out below. Based on data provided by Euroclear Sweden AB as of December 28, 2012, and thereafter known changes.

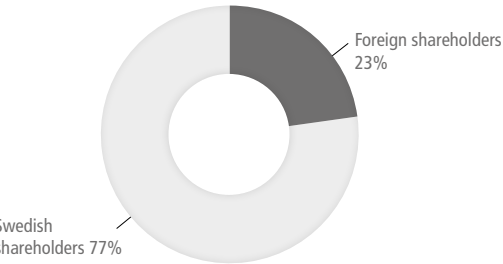
MAJOR SHAREHOLDERS AS OF DECEMBER 28, 2012

Shareholders	No. of shares	Votes and % capital
Stena Sessan Rederi AB	68,741,485	22.7
Swedbank Robur Funds	14,353,490	4.8
Nordea Investment Funds	13,890,555	4.6
AMF - Insurance and Funds	13,230,734	4.4
Alecta Pensionsförsäkring	8,000,000	2.6
B&E Participation AB	6,955,000	2.3
Handelsbanken Funds AB Re Jpmel	5,963,891	2
AFA Insurance	5,410,478	1.8
JP Morgan Funds	5,343,684	1.8
Lönner, Anders	5,100,000	1.7
Canadian Treaty Clients Account	4,980,261	1.6
JPM Chase Na	4,788,640	1.6
Länsförsäkringar Fondförvaltning AB	4,605,482	1.5
Skandia Funds	4,362,589	1.4
Second Swedish National Pension Fund, AP2	4,286,156	1.4
TOTAL, 15 LARGEST SHAREHOLDERS	170,012,445	56.3
Other shareholders	132,230,620	43.7
TOTAL	302,243,065	100

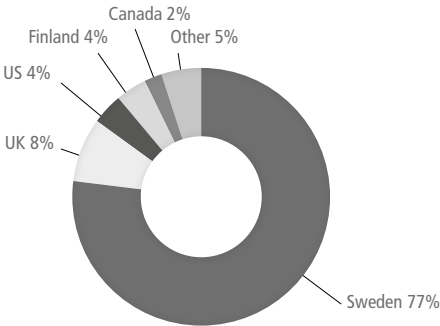
SHAREHOLDING STRUCTURE AS OF DECEMBER 28, 2012

Share interval	No. of shares	Share capital, %	No. of shareholders	Shareholders, %
1 – 500	2,648,142	0.90	16,752	60.2
501 – 1,000	3,419,496	1.10	4,060	14.6
1,001 – 5,000	12,040,017	4.00	4,986	18.0
5,001 – 10,000	6,355,341	2.10	851	3.1
10,001 – 15,000	4,046,353	1.30	323	1.2
15,001 – 20,000	3,360,558	1.10	186	0.7
20,001 –	270,373,158	89.50	616	2.2
Total	302,243,065	100	27,774	100

SWEDISH AND FOREIGN SHAREHOLDINGS



SHAREHOLDINGS BY COUNTRY

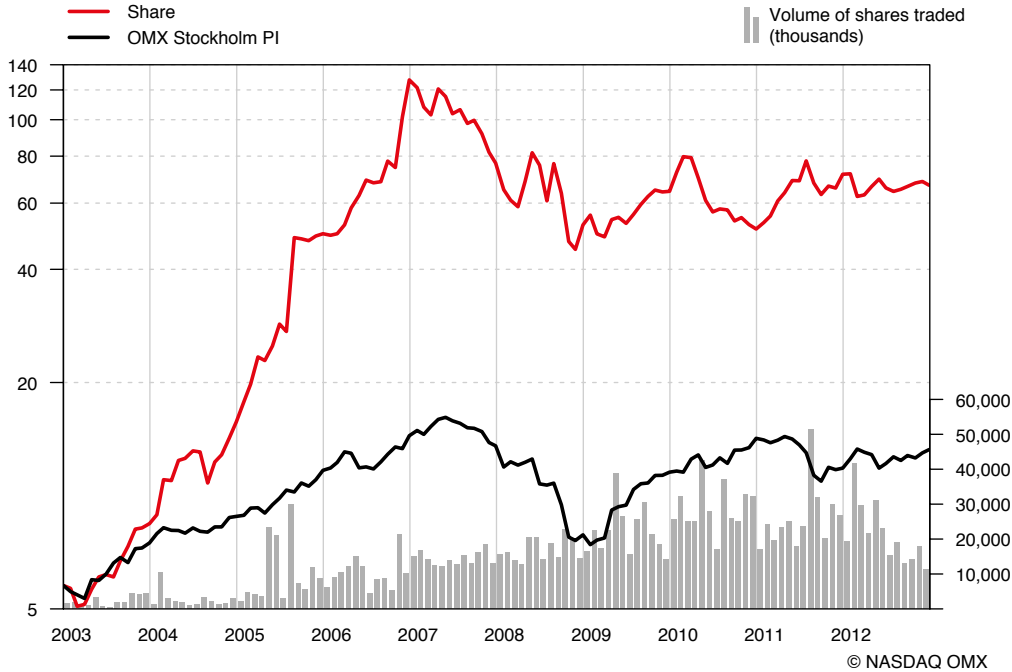


SHARE PRICE PERFORMANCE

The highest price paid in 2012 was SEK 72.95 and the lowest was SEK 60.45. Market capitalization on December 31, 2012, was SEK 20,235 million, corresponding to a decline of 6.5% during the year.

SHARE CAPITAL HISTORY

Jan 2003 – Dec 2012



SHARE CAPITAL HISTORY

		Change in no. of shares	Change in share capital, SEK	Total no. of shares	Total share capital, SEK	Share's nominal quota value, SEK
1994	—	—	—	200,000	2,000,000	10
1995	Conversion	168,406	1,684,060	368,406	3,684,060	10
1995	New share issue ¹⁾	2,000,000	20,000,000	2,368,406	23,684,060	10
1996	Conversion	46,719	467,190	2,415,125	24,151,250	10
1997	Conversion	2,173	21,730	2,417,298	24,172,980	10
1999	Non-cash issue	2,515,963	25,159,630	4,933,261	49,332,610	10
2001	New share issue ²⁾	1,644,420	16,444,200	6,577,681	65,776,810	10
2003	New share issue ³⁾	1,644,420	16,444,200	8,222,101	82,221,010	10
2003	Directed non-cash issue ⁴⁾	482,759	4,827,590	8,704,860	87,048,600	10
2003	Redemption of warrants	3,180	31,800	8,708,040	87,080,400	10
2004	Redemption of warrants	78,400	784,000	8,786,440 ⁵⁾	87,864,400	10
2005	Redemption of warrants	100,700	1,007,000	8,887,140	88,871,400	10
2005	New share issue ⁶⁾	3,554,856	35,548,560	12,441,996	124,419,960	10
2005	Redemption of warrants	95,527	955,270	12,537,523	125,375,230	10
2005	Stock split 5:1	50,150,092	0	62,687,615	125,375,230	2
2005	New share issue ⁷⁾	41,791,743	83,583,486	104,479,358	208,958,716	2
2006	Redemption of warrants	15,000	30,000	104,494,358	208,988,716	2
2007	New share issue ⁸⁾	11,610,484	23,220,968	116,104,842	232,209,684	2
2007	Redemption of warrants	13,720	27,440	116,118,562	232,237,124	2
2007	Stock split 2:1	116,118,562	116,118,562	232,237,124	232,237,124	1
2007	Redemption of warrants	54,127	54,127	232,291,251	232,291,251	1
2007	Redemption of warrants	72,863	72,863	232,364,114	232,364,114	1
2007	Directed non-cash issue ⁹⁾	17,362,775	17,362,775	249,726,889	249,726,889	1
2007	Directed non-cash issue ⁹⁾	137,228	137,228	249,864,114	249,864,114	1
2007	Redemption of warrants	20,818	20,818	249,884,932	249,884,932	1
2007	Redemption of warrants	1,069,426	1,069,426	250,954,358	250,954,358	1
2007	Redemption of warrants	24,993	24,993	250,979,351	250,979,351	1
2007	Directed non-cash issue ¹⁰⁾	5,700,000	5,700,000	256,679,351	256,679,351	1
2008	Redemption of warrants	2,386,134	2,386,134	259,065,485	259,065,485	1
2008	New share issue ¹¹⁾	43,177,580	43,177,580	302,243,065	302,243,065	1
2009	—	—	—	302,243,065	302,243,065	1
2010	—	—	—	302,243,065	302,243,065	1
2011	—	—	—	302,243,065	302,243,065	1
2012	—	—	—	302,243,065	302,243,065	1

¹⁾ Price: SEK 20

²⁾ Price: SEK 44.

³⁾ Price: SEK 76.

⁴⁾ Directed share issue in Pharmalink AB.

⁵⁾ The number of registered shares on December 31, 2004 was 8,786,440. In addition, 41,340 shares were subscribed for but not registered.

⁶⁾ Price: SEK 160.

⁷⁾ Price: SEK 70.

⁸⁾ Price: SEK 160.

⁹⁾ Directed share issue in connection with the MedPointe Inc. acquisition.

¹⁰⁾ Directed share issue in connection with the Recip acquisition.

¹¹⁾ Price: SEK 35.

Board of directors

BERT-ÅKE ERIKSSON, CHAIRMAN

Born: 1944. Education: BSc. Board member since: 1998. CEO of Stena Sessan Rederi AB. Member of Stena Adactum AB and Beijer Electronics AB. Shares in Meda (including family): 2,234,077.

PETER CLAESSION

Born: 1965. Education: BSc in finance. Board member since: 2009. CFO of Stena AB. Member of Stena Line Holding BV, Stena Drilling Ltd, Stena Fastigheter AB, Sveriges Ångfartygs Assurans Förening, and Handelsbanken Regionbank Västra Sverige. Shares in Meda: 5,000.

PETER VON EHRENHEIM

Born: 1955. Education: MSc, KTH Royal Institute of Technology. Board member since: 2011. Board chairman in Biolin Scientific AB and Robustus Wear Components AB. Member of Uppsala University. Shares in Meda: 15,000.

MARIANNE HAMILTON

Born: 1947. Education: BSc and IFL School. Board member since: 2006. Member of Connecta (publ) and Ek & Bok AB. Shares in Meda: 18,961.

TUVE JOHANNESSON

Born: 1943. Education: BSc in economics and MBA, Dr. (h.c.). Board member since: 2006. Chair of Arctic Island Ltd and Ecolan International A/S. Advisor to J. C. Bamford Excavators Ltd and Senior Industrial Advisor to EQT. Shares in Meda: 85,000.

ANDERS LÖNNER

Born: 1945. Education: MSc. Pol. Sci. Anders Lönnér has been Group president and CEO of Meda since November 1999. Board member of Meda. Shares in Meda: 5,100,000.

LARS WESTERBERG

Born: 1948. Education: BSc in finance and MSc. Board member since: 2012. Chair of Husqvarna AB, board member of Volvo AB, Sandvik AB, SSAB and Stena AB. Shares in Meda: 220,000.

SECRETARY

CHRISTER NORDÉN

Born: 1946. Lawyer. Board secretary since: 2003, but not a board member. Shares in Meda: 0.

NOMINATION COMMITTEE

The 2012 AGM resolved that Meda would have a nomination committee consisting of the board chair and one member appointed from each of the four largest shareholders. If any of those shareholders declines to exercise the right to appoint a member to the nomination committee, then the next largest shareholder shall be given the opportunity to appoint a member. Unless otherwise agreed by the nomination committee members, the nomination committee chair is the member who represents the largest shareholder. The composition of the nomination committee is to be modified if there is a significant change in Meda's major shareholding structure. Nomination committee members do not receive remuneration. The

nomination committee's mandate period continues until a new nomination committee is appointed. A nomination committee was appointed per principles adopted at the 2012 AGM. Shareholders may submit nomination proposals to the nomination committee chair: Karl-Magnus Sjölin, Stena Sessan Rederi AB, Box 2181, SE-403 13, Gothenburg, Sweden.

The nomination committee's proposal is submitted with the notice convening the AGM.

The proposal is also available on Meda's website before the AGM.

AUDITORS

PricewaterhouseCoopers AB.

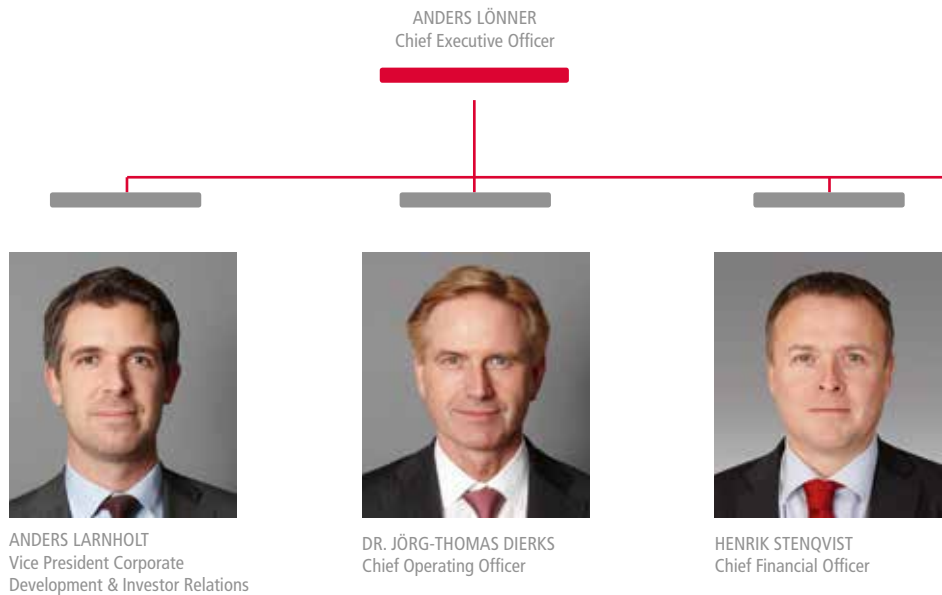
Address: SE-113 97, Stockholm, Sweden.

MIKAEL ERIKSSON,

Born: 1955. Certified public accountant. Meda auditor since 2012. Other audit assignments: Beijer Electronics, EcoLean, G&L Beijer, Midway, Readsoft, Sveaskog, Svenskt Näringsliv, Trelleborg.



Meda's board (from left): Lars Westerberg, Bert-Åke Eriksson, Peter Claesson, Anders Lönner, Peter von Ehrenheim, Marianne Hamilton, Christer Nordén (board secretary, but not a board member) and Tuve Johannesson.



Senior executives

GROUP MANAGEMENT

ANDERS LÖNNER, CHIEF EXECUTIVE OFFICER
Born 1945. MSc, Pol. Sci. Group President and CEO of Meda since 1999. Board member of Meda. Shares in Meda: 5,100,000.

DR. JÖRG-THOMAS DIERKS, CHIEF OPERATING OFFICER
Born 1960. Physician. Previously: senior vice president for Commercial Operations and COO of Viatris and before that, Novo Nordisk and Asta-Medica. Employed since 2005. Shares in Meda: 159,300.

HENRIK STENQVIST, CHIEF FINANCIAL OFFICER
Born 1967. BSc in economics. Previously: CFO of subsidiaries in AstraZeneca. Employed since 2003. Shares in Meda: 190,605.

OTHER
**ANDERS LARNHOLT, VICE PRESIDENT
CORPORATE DEVELOPMENT & INVESTOR RELATIONS**
Born 1972. MSc and BS in economics. Previously with Credit Suisse First Boston. Employed since 2000. Shares in Meda: 69,300.



ERIK HAEFFLER
Vice President Supply Chain &
Manufacturing



MÅRTEN ÖSTERLUND
Vice President Business Development



MARIA CARELL
President & Regional Director US

ERIK HAEFFLER, VICE PRESIDENT
SUPPLY CHAIN & MANUFACTURING

Born 1967. BSc. Previous experience from manufacturing and supply chain at AstraZeneca. Employed since 2009. Shares in Meda: 1,000.

MÅRTEN ÖSTERLUND, VICE PRESIDENT
BUSINESS DEVELOPMENT

Born 1957. PhD in molecular biology from Uppsala University. Has researched at the Pasteur Institute in Paris. Experience from development companies, including an executive position at Karo Bio. Employed since 2005. Shares in Meda: 105,644.

MARIA CARELL, PRESIDENT & REGIONAL DIRECTOR US

Born 1973. BSc in finance. Previously Group President & CEO of Q-Med AB and CEO of Actavis AB. Employed since 2012. Shares in Meda: 12,000.

Definitions

ADJUSTED EQUITY

Recognized equity less proposed dividend.

AVERAGE NO. OF EMPLOYEES

Total of the number of hours worked divided by the number of compensable hours in a fiscal year.

CAPITAL EMPLOYED

The balance sheet total less cash and cash equivalents, tax provisions, and non-interest-bearing liabilities.

DIVIDEND PER SHARE

Dividend per share, to be issued in the next fiscal year.

DIVIDEND YIELD

Dividend per share divided by the share's closing price on the last business day of the year.

EARNINGS PER SHARE

Earnings attributable to parent company shareholders per share.

EBIT INTEREST COVER

Earnings after net finance costs plus financial costs divided by financial costs.

EBITDA

Earnings before interest, taxes, depreciation, and amortization.

EBITDA-MARGIN

Earnings before interest, taxes, depreciation, and amortization as a percentage of netsales.

EQUITY/ASSETS RATIO

Equity as a percentage of the balance sheet total.

GROSS MARGIN

Gross profit/loss as a percentage of net sales. Gross profit/loss equals net sales less cost of sales.

NET DEBT

Net of interest-bearing liabilities and interest-bearing pro-visions minus cash and cash equivalents, including current investments and interest-bearing non-current financial assets.

NET DEBT/EQUITY RATIO

Net debt divided by equity.

OPERATING MARGIN

Operating profit/loss as a percentage of net sales.

PROFIT MARGIN

Profit after net finance costs as a percentage of net sales.

RETURN ON CAPITAL EMPLOYED

Operating profit/loss relative to average capital employed.

RETURN ON EQUITY

Net profit/loss as a percentage of average equity.

SHARE OF RISK-BEARING CAPITAL

The sum of recognized equity and tax provisions divided by the balance sheet total.

DEFINITIONS RELATED TO SALES COMMENTS

SALES BY GEOGRAPHIC AREA

Western Europe – western Europe, excluding the Baltics, Poland, Czech Republic, Slovakia, and Hungary.

US – includes Canada.

Emerging Markets – eastern Europe, including the Baltics, Poland, Czech Republic, Slovakia, and Hungary, Turkey, the Middle East, Mexico, and other non-European markets.

SALES BY PRODUCT CATEGORY

Branded Generics – Non-patented prescription pharmaceuticals with brand names.

Specialty Products – Original prescription pharmaceuticals and specialty products.

OTC – Over-the-counter products.

Other Sales – Revenue from med-tech products and income not related to products.

Glossary

Actinic keratosis	A skin condition characterized by reddish-brown, flakey patches on sun-damaged skin that can be a premalignant condition, leading to squamous cell carcinoma.
AML	Acute myeloid leukemia is one of the four main types of leukemia.
Angina pectoris	Chest pain or discomfort due to acute oxygen deficiency in the heart muscle, often followed by hardening of the coronary arteries.
Anorectal	Pertaining to the anal and rectal portions of the large intestine.
Antiarrhythmic	Drug used to correct heart rhythm irregularities.
Anticoagulant	Drug that slows down or stops blood clotting.
Antiviral medications	Medications that inhibit virus replication in viral infections.
Osteoarthritis	A form of arthritis caused by cartilage degeneration.
Autoimmune disease	Disease in which the immune system attacks the body's own healthy cells.
Basal cell carcinoma	Type of skin cancer caused by sun exposure.
Big Pharma	Major pharmaceutical companies with their own R&D.
Blockbuster	Drug that sells for at least USD 1 billion per year.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CNS	Central nervous system, consisting of the brain and spinal cord.
COO	Chief Operating Officer.
Covenants	Requirements for the company's key figures, made by a money-lending bank.
Dermatology	The study of the skin and its diseases.
Distal ulcerative colitis	Inflammation in the large intestine.
Diuretic	Medication or other substance that increases urine production.
DMARD	Disease modifying anti-rheumatic drugs for treatment of rheumatoid arthritis that slow progress of the disease.
Dose titration	Gradual increasing of drug dosage.
Episiotomy	A surgical incision made to enlarge the vagina and assist childbirth.
Fluctuate	To vary, switch between different values.
Gastrostomy	Operation by which a connection is made between the stomach and an opening in the skin.
Generic	A chemical equivalent to a brand-name drug whose patent has expired.
Cardiac arrhythmia	Irregular heartbeat.
Hypertension	High blood pressure.
IFRS	International Financial Reporting Standards.
COPD	Chronic obstructive pulmonary disease.
Conjunctivitis	Inflammation of the conjunctiva (pinkeye).
Correlation	A connection, the term for a statistical relation between two quantities.
Corticosteroid	A class of steroids that are produced in the adrenal cortex and synthetic drugs with corticosteroid-like effect.
Liposomes	Tiny bubbles (vesicles) made of the same material as a cell membrane that are used to deliver drugs.
Loop diuretic	Type of diuretic drug with strong effect.
Metastasis	A tumor that has spread from one organ to another non-adjacent organ.
Milestone	Payment upon achieved goals.
Monosubstance	Contains one active ingredient
Neuropathy	Dysfunction in peripheral nerve function.
Niche buster	Specialist medication that targets a small patient group.
Noiceptive pain	The most common type of pain, arising as a consequence of tissue damage.
NSAID	Non-steroidal anti-inflammatory; group of medications with anti-inflammatory, analgesic, and fever-reducing effects.
Obstructive	Inhibiting.
Osteoporosis	A condition characterized by decrease in bone mass and density
OTC products	Over-the-counter non-prescription products/drugs
Outsourcing	Transfer of existing operations within a company, along with its resources, to an outside party
Prevalence	The number of people who have a certain illness/disease at a certain point in time.
PBC	Primary biliary cirrhosis (liver disease).
Product Life-Cycle Management	Strategies and activities addressed to extend a drugs life cycle, such as introduction of new preparation forms, expansion of indications, etc.
Prophylaxis	Umbrella term for measures taken to prevent a disease or condition.
Prostatectomy	Surgical removal of all or part of the prostate gland.
Proton pump inhibitor	A class of drugs whose main action is a pronounced and long-lasting reduction in gastric acid production.
Rhinitis	Inflammation of the mucus membrane of the nose.
Rx	International designation for prescription drugs.
Topical	Applied to the skin's surface.
Ulcerative colitis	Ulcerated, often severe inflammation of the colon.
Ulcerative proctitis	Ulcerated inflammation of the rectum.



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